



THE UNIVERSITY *of* EDINBURGH

Title	Emergence, construction and negotiation of a regional competence for the community : nature, justification and process
Author	Vergés Bausili, Anna
Qualification	PhD
Year	2000

Thesis scanned from best copy available: may contain faint or blurred text, and/or cropped or missing pages.

Digitisation Notes:

- pag57-58 missing from original numeration.

**THE EMERGENCE, CONSTRUCTION AND NEGOTIATION OF A REGIONAL
COMPETENCE FOR THE COMMUNITY: NATURE, JUSTIFICATION AND PROCESS**

Anna Vergés Bausili

PhD

The University of Edinburgh

2000



REGULATION 3.8.7.

This thesis has been composed by me alone and the work is entirely my own.

Anna Vergés Bausili

23 July 2000

TABLE OF CONTENTS:

ACKNOWLEDGEMENTS	8
LIST OF ABBREVIATIONS	9
ABSTRACT	11
INTRODUCTION	12
I. THE EMERGENCE OF A FUNDAMENTAL REGIONAL CONCERN FOR THE COMMUNITY	19
1. The scenario of divergent economic evolutions	
2. The underlying problem of incompatibility of national macroeconomic options and the exercises of programming	24
3. The Commission's Memorandums of 1969	29
3.1. <i>Economic policy compatibility</i>	30
3.2. <i>The response to currency adjustments: monetary co-operation</i>	31
4. Actions on the structures: regional policy within convergence measures	33
4.1. <i>The unveiling of the structural factor</i>	
4.2. <i>Excessive demand, demand for exports and inelastic supply</i>	35
5. The demarcation of structural and regional objectives for the Community	37
5.1. <i>The implicit structural objectives, uneven scenario of structural transformations, gap between evolutions</i>	
5.2. <i>The nature of regional imbalances: structural geographical imbalances</i>	42
6. From economic union to EMU and the continuity in the conceptualisation of regional concerns	49
Conclusions	56
II. THE COMMISSION'S DETERMINANT ROLE IN THE EMERGENCE OF A POLICY COMPETENCE (1959-1972)	59
A) The regional aspects of the EEC Treaty	

7. The Treaty's scope to accommodate a regional objective	59
7.1. <i>The EEC Treaty provisions relating to regional policy</i>	
7.2. <i>The Treaty possible channels for incorporating a fundamental regional objective</i>	69
B) The making of a regional policy dossier: nature and influence of the regional interests across the Commission's DGs	74
8. The active internal & external search for a regional conception: DGII's structural conceptualisation (1959-1970)	75
8.1. <i>First internal and external activism: search for an overall conception of regional policy (1959-1965)</i>	
8.2. <i>The first independent standing: April 1966</i>	79
8.3. <i>The raising of a regional concern in the context of the preparation of III Medium-term economic policy programme (1968-1969)</i>	82
9. DGIV: the development of guidelines for national regional aid policies	85
9.1. <i>The nature and scope of the appraisals of regional measures from competition considerations</i>	
9.1.1. <i>Commission's power of objection, its shortcomings and the solution of co-ordination</i>	90
9.2. <i>Beyond the negative power of objection to the definition of positive principles of guidance of national regional measures</i>	102
10. The regional continuation of a policy for agricultural structures: DGVI and the sectoral swing (1971-1972).	107
11. DGXVI's consistent stance throughout the 1970s	113
Conclusions	118
III. THE TERMS OF A COMMUNITY COMPETENCE: POLICY CO-ORDINATION AND FINANCIAL SOLIDARITY	122
<i>Introduction: a chronology of the successive Commission's proposals</i>	
A) A function of co-ordination of national regional policies	127
12. The co-ordination of policies	128
12.1. <i>The proposed meaning and procedures of co-ordination</i>	

12.2. <i>The discrepancies on the terms of co-ordination proposed by the Commission</i>	135
12.2.1. <i>The contents of national programmes and the verification of conformity</i>	136
12.2.2. <i>The differences regarding the proposed Committee for regional policy</i>	138
B) A Community system of aids: a function of promotion in the undertaking of concerted regional development actions	140
13. Financial solidarity: a pragmatic and limited function of promotion towards EMU	141
13.1 <i>Regional solidarity requirement for EMU as unburdening of disproportionate budgetary efforts</i>	138
13.2 <i>Marginal solidarity and budgetary co-ordination: actions of promotion and action of co-ordination</i>	144
13.3 <i>Degrees of regional solidarity: the debate on the sufficiency of existing means</i>	147
14. The disputed materialisation of financial solidarity: a Community system of aids concerted with national systems	154
14.1 <i>The confinement to priority problems and the definition of eligible regions</i>	155
14.2 <i>The principle of complementarity of Community aid and its disputed materialisation</i>	160
14.3 <i>Examination of projects: power of decision (selection and modulation)</i>	165
15. The role in regional economic policy emerging in March 1975	171
Conclusions	178
 IV. THE NEGOTIATIONS: THE EMU PROCESS AND ECONOMIC AND STRUCTURAL PARALLELISM	 181
A) The acceptance of principle of a co-ordination of national regional policies and of financial solidarity (1970-1972)	
16. The acknowledgement of DGII's conceptualisation of a regional objective for the Community and the acceptance of principle of co-ordination	182
17. The agreement of principle on financial solidarity within the context of EMU	188
17.1 <i>The first resolution EMU: structural parallelism and 'appropriate resources' in the first stage EMU</i>	
17.2 <i>Towards the agreement of principle (7 March 1972) and the decision of principle (10-12 October 1972) to create new and specific means</i>	209

B) The negotiation of the modalities of Community intervention (1973-1975)	225
18. The eventual adoption of the regulations of 1975	225
<i>18.1. The laying down of the modalities of co-ordination</i>	226
<i>18.2. The laying down of the modalities of Community financial solidarity</i>	227
Conclusions	238
 CONCLUSIONS	 241
 BIBLIOGRAPHY	 251
1. PRIMARY SOURCE MATERIAL	
1. On the scenario of economic and policy divergence	252
<i>1.1. The incompatibility of national evolutions</i>	
<i>1.2. The I Medium-term Economic Policy Programme</i>	254
<i>1.2.1. The origins of Medium-term policy co-ordination</i>	
<i>1.2.2. The I Medium-term economic policy Programme</i>	255
<i>1.3. The II Medium-term economic policy Programme</i>	258
<i>1.4. The III Medium-term economic policy Programme</i>	263
2. On the role of the Commission	270
<i>2.1. The earliest stages</i>	272
<i>2.2. The regional chapter of the I Medium-term economic policy Programme</i>	
<i>2.2.1. The examination of the Commission's draft of I Medium-term economic policy Programme</i>	273
<i>2.2.2. The examination of the 1965 Communication simultaneously to the I Medium-term economic policy programme</i>	275
<i>2.3. DGIV and regional policy</i>	275
<i>2.4. DGVII and regional policy</i>	277
3. On the Commission's proposals and their negotiation	278
<i>3.1. The negotiation of the 1969, 1971 and 1972 proposals</i>	
<i>3.2. The proposals of July 1973</i>	282

4. On EMU and regional policy	284
<i>4.1. The negotiation of the I Barre Plan and of the first and second resolution EMU</i>	
<i>4.2. Enlargement and UK influence</i>	291
2. SECONDARY LITERATURE	292
APPENDICES:	296
Original French texts	297
The Proposal of 15 October 1969	305
The ERDF proposal of 31 July 1973	
The Proposal for a Committee for Regional Policy of 31 July 1973	

ACKNOWLEDGEMENTS

My first thanks to my supervisor Andrew Scott for his honest support, his genuine trust and his encouragement all throughout. Also thanks to the early contributions of Professor William Patterson and David Millar, for giving me helpful ideas, references and information. Thank you as well to Dr. Caitriona Carter for reading unreadable drafts, for helpful suggestions and for unloading me of some of my duties.

During my stay in Brussels I am immensely grateful to Anne Catuogno and Erika Renniers Niedrich at the Regional Section of the Economic and Social Committee for their warm support and friendship, they allowed making the most of my internship. I also remain grateful to Mr. D. McLaughlin, Mr. P. Feve and the librarians at the Economic and Social Committee for making my research easier.

A very great and sincere thanks to Ms. Jocelyne Collonval and Mr. Jef Schram at the Historic Archives of the Commission for their sympathy, patience and diligence with my endless requests for documents. Also thanks to Mr. L. Goebel, Mr. W. Stols, Mr. Gonçalves and Mr. F. J. Sánchez Martín at the Council General Secretariat and Council Archives for their interest and assistance. Without the support of all of them in allowing me access to precious raw materials this thesis would have been chimerical.

I would also like to extend my thanks to Mr. Q. Ciardelli, Mr. E. Shoneweg and Mr. Kuypers at the DGXVI of the Commission; to Mr. W. Mederer at DGIV; and to Mr. V. Cal and to Mr. Quevedo Rojo Councillors at the Economic and Social Committee for all giving me some of their precious time to listen to my obscure questions and to comment and raise valuable points.

A very special thanks to Marie Thérèse Van den Driessche, landlady and friend, for her high spirits, her hospitality and her meals.

The research for this thesis was made possible from the support and the trust of the Europa Institute, the University of Edinburgh Law School, the Edinburgh Association of University Women, the British Association of Women Graduates and the Cowan House Fund.

Thanks to Barbara Gebhardt for being of great help with German texts, and Rachel Henson and Adrian Lea for their hours of proof-reading work.

Back at home, thanks to Rosa Maria Samper for her determination to keep me updated with news in Catalonia and for being so generous as always. Last final thanks obviously to my family for their trust, for infusing me over the years the meaning of commitment and for reminding me, particularly at the hardest times, of the need for lightness too.

LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
DGs	Directorate Generals
DGII	Directorate General for economic and financial affairs
DGIII	Directorate General for internal market and industrial affairs
DGIV	Directorate General for competition and state aids
DGV	Directorate General for social affairs
DGVI	Directorate General for agriculture
DGVII	Directorate General for transport
DGXVI	Directorate General for regional policy
EAGGF	European Agricultural Guidance and Guarantee Fund
ECSC	European Coal and Steel Community
EEC6	European Economic Community of six members i.e. Belgium, France, Germany, Italy, Luxembourg and the Netherlands.
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
I MTEP Programme	First Medium-term Economic Policy Programme (1966-1970)
II MTEP Programme	Second Medium-term Economic Policy Programme
III MTEP Programme	Third Medium-term Economic Policy Programme (1971-1975)
I Barre Plan	Commission Memorandum to the Council of 12 February 1969 on the co-ordination of economic policies and monetary co-operation within the Community.
Commission Memorandum of 15 December 1969	Memorandum from the Commission to the Council on medium-term guidelines for the economic policy of the Community (1971-1975)
Note on regional Policy	Commission's Memorandum on regional policy in the Community
1969 Proposal	Proposal for a Council decision on the organisation of Community

	instruments for regional development, 15 October 1969
1971 Proposals	<p>Proposal for a Council regulation on the financing from the EAGGF Guidance section of projects within the framework of development operations in agricultural priority regions;</p> <p>Proposal for a Council regulation on a European interest rebate fund for regional development</p>
1972 Proposals	Proposal of Council resolution concerning means of regional policy in the Community
1973 Proposals	<p>Proposal for a Council regulation establishing a regional development Fund;</p> <p>Draft decision by the Council on the creation of a Committee of regional policy;</p> <p>Proposed financial regulation to special provisions to be applied to the European Regional Development Fund.</p>
EMU	Economic and Monetary Union
First resolution EMU	Resolution of the Council and the representatives the Governments of the Member States of 22 March 1971 on the achievement by stages of economic and monetary union in the Community
Second resolution EMU	Resolution of 21 March 1972 of the Council and the representatives of the Governments of the Member States on the implementation of the resolution of 22 March 1972 on the achievement by stages of economic and monetary union in the Community
ERDF proposal	Proposal for a Council regulation establishing a regional development Fund
Cros Report	Regional Policy and Economic and Monetary Union
Thomson Report	Report on the regional problems in the enlarged Community
DM	Deutsche Mark
FF	French Franc

ABSTRACT:

The thesis:

Reviews the process leading to the adoption of the first regional policy regulations of 18 March 1975.

Identifies, from archive documentation:

- The historical emergence and the nature of a substantial regional concern for the Community (Chapter I).
- The Commission's determinant role in the emergence of a regional policy dossier (Chapter II).
- The terms of proposed regional intervention by the Community and its most disputed aspects (Chapter III).
- The fuelling of the regional dossier by the EMU Programme (Chapter IV).

Argues:

1. The emergence of a fundamental regional concern, particularly beyond a sectoral continuation of agricultural reform and the control of regional aid schemes, occurred back in 1968. A search for economic and policy convergence justified regional action. Such an objective remained valid in the upgrading from an economic union to an EMU.
2. Within the context of the exercise of medium-term economic policy co-ordination, the Commission formulated and launched at her own initiative the regional dossier. Such formulation of a regional objective took a rather technocratic character and involved fundamental policy choices.
3. The Commission considered regional financial solidarity as marginal and dependent on an action of co-ordination of regional policies.
4. It was not enlargement into the Nine that settled the acceptance by all delegations of a regional competence, but its linkage to the programme of EMU.

INTRODUCTION

The regulations of 18 March 1975¹ defined for the first time a regional objective for the Community. They laid down both a conceptualisation of a regional concern and a precise form of intervention. Although the operation of regional interventions has been periodically adjusted, in fact, since 1968 the fundamental justification of a Community concern on regional disparities has not substantially changed. A concern for the effect of regional unbalanced structures on economic and policy divergence appears as a *leitmotif* in the history of the European Union. That is, a concern about wide differences in regional competitiveness and their detrimental effects on economic and policy convergence -necessary for both the common market or for an economic and monetary union (EMU)- appears as a recurrent concern from the end of the constitutive period to the present.

Since the end of the 1960s this *fundamental* regional concern has been present alongside alternative sectoral conceptualisations of a regional objective, particularly side by side with a definition of a regional objective subsidiary to the reform of agricultural structures. A dominant agricultural agenda did temporarily eclipse a wider concern for economic and policy convergence, yet, the continuity in the substantial nature of a regional concern is undeniable. Especially the launching of EMU in the early 1970s and the first enlargement ended the domination of the regional dossier by agriculturally related objectives and established a global structural conceptualisation of regional factors for the common market, which can be considered, in a longer perspective, as the start of a trend towards a decline in agricultural policy predominance.

This thesis is a study of the emergence in 1975 of a competence for the Community on regional economic policy i.e. a study to understand a policy development. Although the latter raises important theoretical questions and such a study could also serve as a testing ground for various theories of integration, the purpose of the thesis is not to offer a case study for confronting theoretical models but, rather, to examine the *history* of the emergence of a regional competence for the Community; to trace and discover what happened; and to supersede some clearly unsatisfactory accounts.

Indeed, the truth is that the history of a regional concern does not seem to have been dealt with in a fully adequate manner. Certainly the contours of EU's regional and cohesion policy have been mapped out in a large body of **literature**; sound material deals with the justification and the nature

¹ That is, Council Regulation (EEC) 724/75 of 18 March 1975 establishing a European Regional Development Fund (ERDF); Council regulation (EEC) 725/75 of 18 March 1975, on the transfer to the ERDF of 150 million u.a. out of the appropriations held in reserve by the guidance section of the EAGGF; Council financial regulation of 18 March 1975 supplementing the financial regulation of 25 April 1973 applicable to the general budget of the European Communities (75/184/Euratom, ECSC,CEE); Council decision to apply Regulation (EEC) 724/75 establishing a ERDF to the French overseas departments (75/186/EEC) and Council decision 185/75 setting up a Regional Policy Committee.

of a regional competence², and a lot has been written from the economic and political science points of view about the operation, the implementation and the policy evolution of the structural funds³. Yet, all in all, beside the considerable attention which has been given to (mostly) the operation of EU's regional policy, it is still noticeable that an account for such a policy development has been largely overlooked. Firstly, no thorough study exists on the historical emergence and construction of a regional objective for the Community and, secondly, as far as the negotiations over the regional dossier are concerned, accounts have concentrated only on the final stages of that negotiation, and particularly, on the disagreements over the setting up of the ERDF in 1975.

Concerning the first aspect (the emergence and construction of a substantial regional objective for the Community) either chronologies⁴, or segmented accounts on how the common market came across regional objectives prevail, often reducing the historical emergence of a regional dossier to the process of negotiation over financial instruments, and also often missing significant internal processes, in particular the Commission's role of impulse in this policy expansion and, above all, the fundamental policy linkages operating and which, ultimately, determined the acceptance of a regional objective for the Community.

As far as the second aspect is concerned i.e. the negotiations among member states, scholarly work has reduced the regional dossier to the negotiation on the setting up of the ERDF, and has also concentrated on the period starting from October 1972, that is, the period beginning after the Conference of Heads of State and Government in Paris, when the agreements of principle among delegations for the creation of a ERDF and the co-ordination of national regional policies had already been made⁵. Admittedly, it has become a widely accepted explanation that regional policy became a competence for the Community as the UK Government found unacceptable to contribute in net terms to a Community budget which favoured mainly those economies undergoing considerable

² For the objectives and the justification of a regional competence for the Community diachronically see especially: Cros J., 'Les déséquilibres géographiques dans la CEE face aux objectifs de l'union économique et monétaire', *Revue d'Économie Politique*, Mars-Avril 1974, no.2, Éditions Sirey, Paris; Cros J. (1977), *Introduction à l'économie Européenne*, Paris, Séries Études et Perspectives Européennes, chapitre III, p. 38-48; and Van Ginderachter J., 'La politique régionale de la Communauté, justifications, modalités et propositions', *Revue du Marché Commun*, Paris n. 170, Décembre 1973, p. 468-486.

³ Some have argued the emergence of new patterns of governance in the field of structural policy and, in particular, in the implementation and operation of structural funds. See Marks G., Hooghe L. & Blank K. 'European Integration from the 1980s: State centric versus Multilevel Governance', *Journal of Common Market Studies*, vol. 34, No.3, September 1996, Blackwell Publishers, Oxford.

⁴ Chronological expositions have often been provided with largely reference purposes. See for instance p. 242-255 of Romus P. (1974), *Économie régionale Européenne*, Presses Universitaires de Bruxelles; or p. 385-393 of Vanhove N. and L. H. Klaassen (1980), *Regional Policy: A European Approach*, Saxon House, London; or Lind H. & C. Flockton (1970), *Regional Policy in Britain and the Six. The problem of development areas*, London, Political and economic planning European series no. 15, Chatham House.

⁵ For well documented accounts on the period starting from the October 1972 see Talbot R. B. 'The European Community's Regional Fund. A study in the politics of redistribution' in *Progress in Planning*, 1977, Vol. 8, Part 3, pp. 183-281, Pergamon Press; and H. Wallace 'The establishment of the regional development Fund: Common Policy or Pork Barrel?' in Wallace W., H. Wallace and C. Webb (eds.) (1977) *Policy making in the European Communities*, London, John Wiley & Sons.

agricultural reform⁶. By this account, regional competence emerged as the result of the UK's insistence on financial compensation to which the Community consented, with the support of mainly the Irish and the Italian delegations, through the creation of a ERDF⁷. However, the process of acceptance of such a new objective for the Community, particularly through its deliberate linking to the development of EMU and to the developments in the agricultural domain, have not been raised sufficiently. In fact, literature on the history of EMU has 'dropped' comments on the policy linkages between the regional dossier and the EMU Programme⁸, but both the parallel progress of both dossiers, and particularly the nature of the fuelling of Community regional action provided by the commitment to EMU, has been neglected. This thesis aims to fill these gaps.

In order to address the emergence, construction and negotiation of a regional policy dossier, this thesis began with a search for the trigger(s) to regional concerns in the Community in the historical archives of both the Commission and the Council. It has to be acknowledged that previous to commencing the search for documentation, a deliberate restriction was self-imposed in order to delimit the universe of data on the emergence and construction of regional aims into a manageable size. Thus, effectively, the search was conducted on documentation spanning from 1959 to 1975 in a handful of policy areas, namely:

- dossiers catalogued under the search key 'regional',
- dossiers relating to medium-term economic policy,
- dossiers relating to EMU,
- documentation concerning the control of regional aid schemes⁹.

This deliberate choice for the latter policy areas was informed by a preliminary exploration of those domains where, directly or indirectly, the genesis of a regional concern appeared to have begun and/or been nurtured.

⁶ See p. 50-70 of George S. (1990) *An awkward partner. Britain in the European Community*, Oxford, Oxford University Press; or p. 6-7 of Wallace W. (ed.), (1980) *Britain in Europe*, London, Heinemann.

⁷ This rather prosaic view has been put forward by the Press as well as by concrete remarks of high civil servants in the Commission. See for instance *Europe*, Thursday 1 February 1973, no 1213 (new series) p. 9, where former Commissioner for DGXVI states in front to a British audience 'that it was only after a very vigorous intervention by Mr Heath that the Summit was able to agree on this requirement for a regional development fund'. This explanation has been largely followed (Clout H. (1976) *The regional problem in Western Europe*, Cambridge University Press, p. 54; Denton G. 'Regional divergence and policy in the Community with special reference to enlargement' p. 141 in Hodges M. & W. Wallace (eds.) (1981) *Economic divergence in the European Community*, London, George Allen and Unwin; etc.).

⁸ See for instance: Tsoukalis L. (1977), *The Politics and Economics of European Monetary Integration*, London, George Allen & Unwin.

⁹ Concerning documentation on the field of regional aids control the results of the search cannot be described as fully successful, at least in comparison with the results attained with both medium-term economic policy and the EMU dossiers. Although good documentation was collected, some particular meetings of national representatives and experts on state aids and the Commission were searched in vain, and some seemingly

Thus, as regards the **method** and the **data** used for this thesis, the contents and arguments below are the product of a study and interpretation of historical records, namely, of primary archive material from the Commission and the Council. Importantly, the arguments developed in this thesis are informed principally by source material i.e. primary documentation rather than interviews, or published sources, newspapers or secondary material. Internal documentation seemed a more transparent, un-mediated and reliable source than information available in the public domain or the information gathered in interviews (particularly since internal documentation is neither subject to deceptive wording nor to audience constraints); and resort to secondary bibliography and newspaper sources was made only where original archive data was unavailable¹⁰. It is also worth noting that the information emerging from internal preparatory documents, working papers, or minutes of Commission and Council meetings, as opposed to final published texts, in the majority of cases revealed insights and trade-offs which, clearly, would not necessarily have been obvious from the final texts.

Thus, through official procedures¹¹, access was gained to a large number of unpublished internal documents ranging from minutes of sessions of the Council, Coreper and the Commission, to working documents of these institutions, internal correspondence, etc. previous to January 1974. The bibliography lists all the declassified material which has been used for this thesis, noting the nature and the types of documents which were used as data sources. The contribution of the thesis, therefore, resides on the collection of a large cross-policies sample of original documentation, and on its interpretation.

Indeed, among this universe of detailed data, the research involved a subjective identification, evaluation and selection of information, the drawing of connections between policy areas and the

important sessions gathering the Commission and national representatives concerning proposals for the development of policy guidelines in the examination of compatibility were never found.

¹⁰ Interviews were, in fact, also conducted but they did not result very fruitful. Those interviewed ignored the details of the process of emergence and negotiation and, second, the whereabouts of civil servants involved on the regional dossier during the 1960s and 1970s proved difficult to find.

¹¹ Generally speaking, the access to both Council and Commission documents is broadly and pervasively regulated by the so-called 30 years rule, which -as in many member states- imposes such a period of seclusion before internal documents can be released for public access. But things are not so simple for, concerning some type of documents such as verbatims or documents from the Legal Service, the 30 years rule does simply not seem to apply. Here an *ad hoc* and specific request for access has to be submitted even if the document in question is no longer under the 30 years veil. The access to Council documents is regulated by Council decision of 20 December 1993 [Council decision on public access to Council documents (93/731/EC), OJ L 340/43 of 31.12.93]. The access to Commission's internal documents was first regulated by a code of conduct subscribed by the Council and the Commission [Code of Conduct concerning public access to Council and Commission documents (93/730/EC), OJ L340/41 of 31.12.93] and completed by a Commission decision of 8 February 1994 [Commission decision (94/90/ECSC, EC, Euratom) of 8 February 1994 on public access to Commission documents, OJ L46/58 of 18.2.1994] -modified on 19 September 1996 [Commission decision of 19 September 1996 modifying decision 94/90/ECSC, EC, Euratom concerning public access to Commission documents]. A resolution of transparency was also made in Declaration no. 17 of the Maastricht Intergovernmental Conference; and on February 2000, on the basis of article 255 of the Amsterdam Treaty, the Commission transmitted to the Council a proposal for a regulation of the European Parliament and of the Council regarding public access to European Parliament, Council and Commission documents [COM(2000) 30 final/2].

explaining of events. Misinterpretation or missing factual information, etc. may have been responsible for errors. Unfortunately, there has not been sufficient research to allow a comparability or a confrontation of the various developments examined, particularly in so far as the period before 1972 is concerned¹². Nonetheless, the bibliography will convey, first in the size of the sample collected, and second, in the quality of the data, the effort made in trying to minimise the scope of misinterpretation and the failing to hit vital information.

The thesis has not entered into the domestic politics which determined national positions, and when occasionally it has discussed a national policy position, it has done so by resorting to secondary bibliography -as in the case of national interests concerning the EMU Programme¹³.

Although the role of the Commission and of some of its DGs is analysed in detail, this thesis has not tried to map out inter-institutional dynamics in the Community. The particular emphasis that has been put on the Commission is due to its decisive role in the emergence and construction of a regional dossier. On the other hand, the Council is fundamentally presented from the point of view of its role of defender of national interests and scrutiniser of the Commission's proposals. The thesis has spelled out the positions of mainly those national delegations most influential in the negotiations over the regional dossier, but the analysis has not entered into the domestic politics behind the recorded national preferences. As regards the European Parliament and the Economic and Social Committee, the internal documentation on which this thesis is based simply did not provide any evidence to allow one to conclude any defined influence in either the process of construction or negotiation. This does not mean that a form of influence did not occur; rather, that from the documentation collected no definite statement can be made on their influence in the process leading to the adoption of the regulations of March 1975.

As far as the **contents of each chapter** are concerned, Chapter I identifies the historical background and the emergence of a specific and fundamental regional concern, notably as conceptualised for the first time by 1968-1969 in the context of a Community at risk of internal divisions as a result of a situation of divergence in both economic evolutions and economic policies of its members. Such a regional objective for the Community was defined as the need to approximate regional structures for their effects on economic and policy convergence.

Chapter II examines the role of the Commission in the process of construction of a regional dossier. Chapter II places the eventually successful conceptualisation of a regional objective in the context of the range of possible alternative formulations arising from various policy considerations prevailing at

¹² This seems to be the case in so far as the development of a regional aid policy is concerned, but also on the interactions with the EMU ups-and-downs of the early 1970s, or on the cradle that Medium-term economic policy Programmes were for substantial regional aims.

¹³ The history of EMU is not the history of regional policy but, nonetheless, the progress of the regional dossier proved to be dependent on EMU developments in the early 1970s and, therefore, it simply was necessary to identify the interaction between the two dossiers.

the time. It reveals the terms in which various Directorate Generals (DGs) of the Commission had (or developed) an interest in regional policy and the varying interactions between these various policy perspectives in a regional policy dossier under construction. Rather than aiming at inferring about this complex institution, Chapter II delimits the concrete historical and step-by-step manner in which the power of initiative, formulation and triggering by the Commission, and in particular, of some of its DGs, was exercised in the concrete case of the regional dossier, while outlining the overall technocratic character of this exercise.

Chapter III identifies the core elements of the competence that the Commission proposed to give to the Community regarding regional policy, and those among them which proved to be more controversial throughout the long process of negotiation spanning from 1969 till 1975.

Finally, building on the previous chapters, Chapter IV proceeds through the history leading to the adoption of the regulations of 18 March 1975 by which, for the first time, the Community acquired both a responsibility to co-ordinate regional policies and the capacity to transfer resources in support of national regional policies. Chapter IV links the histories of the regional policy dossier and of EMU to account for the acceptance of an extension of Community competence into regional objectives. Starting from the examination of the I Barre Plan by the Council and ending in the adoption of the regulations of March 1975, the chapter follows the process of the acceptance of a regional responsibility. Chapter IV argues that not only both the emergence of a regional concern and the acceptance by national governments of regional action was previous to and occurred beyond the influence of the process of enlargement but that, fundamentally, the linkage of the regional dossier to the EMU Programme was the determinant element which allowed a unanimous acceptance of a Community regional agenda. From 1973 to 1975 the Nine negotiated the technical details of Community intervention and some of its most political aspects i.e. the size of regional appropriations from the Community's own resources and their geographical distribution.

The unfolding of a regional responsibility for the Community is a tightly tangled matter involving the influence of various policy agendas (economic policy co-ordination, agricultural reform, control of regional aids, enlargement and the EMU Programme). To display this web of interactions among policy areas and their overlapping historical sequence leading to the regulations of March 1975 is certainly a challenge. As a whole, this thesis's **contribution** is an attempt to fill in a gap in the literature, namely, a lack of a documented account on the emergence, construction and negotiation of a first policy competence within the Community. The thesis offers an account based on declassified internal documentation which follows the formation of a regional responsibility for the Community from a cross-sectional analysis, and which identifies both the main actors and those determinant factors leading to the first form of regional responsibility for the Community.

I. THE EMERGENCE OF A FUNDAMENTAL REGIONAL CONCERN FOR THE COMMUNITY

By 1968 the Community started to experience a situation characterised by the different economic evolution of the economies of those States who had decided, about a decade before, to merge their markets into the EEC6. In fact, not simply a different economic evolution but a divergent economic evolution became manifest, with the Federal Republic of Germany and France at opposite ends of a wide range of diverse economic performances. This situation was significant because it was jeopardising the continuation and the existence of the common market itself. At an early stage the Commission urged for the recognition that such divergent economic evolution was neither fully accounted for, nor reversible, unless action was taken on a substantial factor, namely, on the uneven evolution of the economic structures of the Six. Beyond an explanation of the observable asymmetrical economic evolutions confining to both macroeconomic analysis and macroeconomic solutions, the Commission conceptualised a structural concern, an actual Community-specific regional concern.

1. The scenario of divergent economic evolutions

The designers of the common market noted, in the Preamble of the EEC Treaty, the wish that the removal of trade barriers resulted naturally in a convergence of national economies i.e. in a balanced and harmonious progress of the economies of its members. Yet, before the completion of the customs union it became clear that the economies of the States forming the common market were overall performing too differently. By 1968, a divergence in the evolution of the economies of the Six became distinctly manifest. For France and for Germany in particular, the economic scenario appeared, comparatively speaking, extremely divergent. Each country facing different economic problems, the customs union was certainly not bringing about an approximation of economic performances¹⁴:

a) regarding industrial production (being the monthly average for 1958 = 100):

Table I.1

1967				1968			1968- 1967
1st	2nd	3rd term	4th	1st term	2nd	3rd	January-

¹⁴ The following figures were put forward by the Commission for debate with national governmental officials. See Annexe to Commission's Memorandum on appropriate policy in the Community on current economic and monetary problems or *Mémorandum de la Commission au Conseil au sujet de la politique susceptible d'être poursuivie au sein de la Communauté pour faire face aux problèmes économiques et monétaires actuels*, Bruxelles 5 décembre 1968 [SEC(68) 3958 final]. This Memorandum of 5 December would become the core of the Memorandum of 12 February 1969 (also referred as I Barre Plan).

	term	term		term		term	term	September
EEC	167	167	170	176	177	173	(186)	+ 6.3 %
Germany	157	155	160	168	165	173	181	+ 10.0 %
France	156	153	157	159	164	134	167	- 0.3 %
Italy	220	226	224	231	231	237	(238)	+ 5.4 %
Netherlands	185	186	185	200	208	208	(207)	+ 12.1 %
Belgium	155	152	150	156	162	163	(165)	+ 7.2 %
Luxembourg	122	119	120	121	121	123	129	+ 3.3 %

b) in relation to unemployment figures -in thousands:

Table I.2

	1967				1968			1968/1967
	1st term	2nd term	3rd term	4th term	1st term	2nd term	3rd term	January-September
Germany	409	517	467	446	407	318	240	- 30.7 %
France	167	188	203	227	238	255	270	+ 36.6 %
Italy	1056	1048	1013	975	961	958	-	-
Netherlands	75	85	85	88	88	83	75	+ 0.3 %
Belgium	75	85	87	96	100	106	103	+ 25.5%

c) as regards consumer prices:

Table I.3, Indices 1958= 100

	1967				1968			1968/1967
	1st term	2nd term	3rd term	4th term	1 st term	2nd term	3rd term	January-September
Germany	123.2	123.8	123.6	123.1	124.8	125.1	125.0	1.1 %
France	138.2	138.8	139.7	141.7	143.6	144.6	146.3	4.3 %
Italy	136.1	137.0	138.0	138.5	138.8	139.2	138.9	1.5 %
Belgium	121.7	123.4	123.7	124.7	125.6	126.2	127.1	2.8 %
Luxembourg	116.9	117.5	119.0	119.8	120.6	121.1	121.1	2.8 %
Netherlands	134	139	138	137	139	141.8	142.6	3.1%

d) balance of trade (in million US \$):

Table I.4

	1967				1968		
	1st term	2nd term	3rd term	4th term	1st term	2nd term	3rd term
EEC	+ 167.8	+ 284.6	+ 124.0	+ 187.4	+ 662.5	+ 164.1	+ 447.2
Germany	+ 1098.0	+ 1167.0	+ 1022.1	+ 1093.3	+ 1121.0	+ 882.8	+ 1090.1
France	- 410.9	- 140.6	- 212.8	- 237.9	- 115.1	- 336.4	- 220.8
Italy	- 156.5	- 191.6	- 309.6	- 282.0	+ 66.5	- 77.3	- 82.2
Netherlands	- 286.1	- 289.0	- 212.4	- 260.1	- 329.0	- 220.2	- 212.4
Belgium/ Luxembourg	- 5.2	- 46.4	- 58.4	- 8.5	- 47.2	+ 50.7	- 14.5

The figures above (Tables I.1, I.2, I.3 and I.4) displayed a particularly striking divergence right at the core of the Community i.e. between Germany and France, as well as asymmetrical performances among the other countries¹⁵. In fact, they exposed an alarming trend from a European perspective.

Although the late 1960s were characterised by increases in the costs of production and in price levels together with high levels of demand, what was becoming an increasing worry for the Community was the divergent evolution of those elements. Indeed, from 1966 notable differences in the evolution of the costs of production started to appear among the EEC countries¹⁶, and price levels started to evolve in a largely divergent fashion from one member state to the next. In other words, besides the absolute increases in costs and in price levels across the common market¹⁷, more importantly, costs and price levels were increasing unevenly and, as a result, the gap between higher and lower increases was widening. The relevance of this situation resided on the margin created between price levels when in contact, particularly, at both ends of the spectrum i.e. the differential gap between the countries where price levels were the lowest and the ones where prices levels were the highest. A comparison of price rises between Germany and the other member countries during the period 1966-1969 presented the following picture:

Table I. 5: Differentials in price increases¹⁸

Germany - Italy	1,7
Germany - Belgium	5,5
Germany - Netherlands	7,0
Germany - France	8,4

In addition, there were no grounds to expect a change to this scenario. Indeed, the national hypothesis i.e. the governments' forecasts, of price levels in the medium term were revealed to be largely disparate. The national economic projections for the period 1966 to 1973/1975 on the evolution of prices were as follows: for Germany an annual increase of 2%, for France an annual rise of around 3%, for Italy a figure of 1.7%, for the Netherlands a 3%, for Belgium a hypothesis of circa 3% per year and Luxembourg would align with the main commercial partners¹⁹.

¹⁵ For an exposition of the main features of the French and German economic evolutions, see part III p. 449-472 of Boltho A. (ed.) (1982) *The European Economy. Growth and crisis*, Oxford University Press, or p. 261-303 of Denton G.R. and J.J.N Cooper (eds.) (1977) *The European economy beyond the crisis: from stabilisation to structural change*, College of Europe, Bruges, De Tempel.

¹⁶ *Avis du Comité monétaire sur le Mémoire de la Commission au Conseil du 12 février 1969, 9 mai 1969*, p. 2.

¹⁷ In Italy and in the Netherlands the annual increases in salaries were eventually higher than those resulting from the events of May and June 1968 in France.

¹⁸ That is, *Hausses différentielles des prix (indice prix du PNB) cumulées (en %)*. See p. 6 of Commission, *Stratégies alternatives d'évolution à moyen terme du niveau des prix et leurs conséquences pour le marché commun*, Bruxelles 24 janvier 1969. [21535/III/68].

¹⁹ Figures are collected from the preparation of the III Medium-term economic policy Programme (1971-1975), hereafter referred as III MTEP Programme.

But, why was this situation of divergence in price levels for the common market worrying? The Commission sentenced with accurate premonition:

There are grounds to expect that, all conditions remaining the same, but retaining the hypothesis of a removal of the protective measures recently adopted, the accumulation from 1966 to 1975 of the annual divergences in the levels of prices of the member States will provoke external disequilibria. Even though the general evolution of prices does not determine alone external trade, the differences appearing from now till 1975 (particularly between Germany and Italy on the one hand, and between France and the Benelux countries on the other) would be too important to be able to reconcile these evolutions without involving disturbances in the intra-Community balance. One can also deduce that the disequilibria that can be expected in the area of external trade would be reinforced by sudden speculative movements²⁰.

In other words, to start with, the divergent evolution of prices posed a threat in so far as wide differentials in price levels were likely to affect external balance. Indeed, the real risks of divergence were posed in the medium term since although certainly national competitiveness was not solely dictated by price levels, in the medium and long term, large differences in price levels were bound to have an effect on external balance i.e. on both the balance of trade and the balance of payments. But, secondly, payments imbalances in the longer term were likely to be accompanied by speculative movements, which were going to demonstrate that first, a position of surplus in the balance of payments of a country could be reversed very rapidly, and second, that the reserves of a country could drain away swiftly in a very short period of time. Indeed, in January 1968 price divergences were not posing a threat to the fundamental equilibrium of national payments since the position of the balance of payments of all members had been in surplus and also countries held considerable reserves²¹ -and occasional monetary adjustments in France, Germany and the Netherlands had compensated for the divergences in price levels²². Yet, by November 1968 speculation attacked mainly the FF and the DM (point 17.1, chapter IV) provoking the abrupt exhaustion of gold and reserves in one country and their accumulation in the other, thus calling for protective measures and/or exchange rate adjustments.

Indeed, situations of severe external imbalance were particularly pernicious to common market rules since the most likely national reaction aiming at recovering equilibrium (while tariffs, quantitative restrictions or equivalent measures were now ruled out) had become the resorting to currency adjustments²³, which, certainly involved alterations to exchanges and distortion of competition

²⁰ See Commission, *Stratégies alternatives*, p. 8. See original French text in Appendix.

²¹ See p. 10 of the Commission Memorandum of 12 February 1969 (I Barre Plan).

²² See the parity modifications in footnote 25.

²³ In case of disequilibria in the balance of payments within a common market, national governments could still resort to: certain commercial restrictions, control of the exchanges, modification of parity, or to adjustments by the mechanisms of costs and revenues i.e. by manipulation of demand. Other possible measures to counterbalance disequilibrium in the balance of payments were, according to the Commission, measures for the movement of labour and capital among member States. But these seemed difficult to attain: movement of labour was intrinsically limited and long term movements of capital were unrealistic. Furthermore, these deliberate movements would not escape to need to tackle the divergences in prices. See Commission, *Stratégies alternatives* p. 11-12, or see p. 9-10 of the draft of second Commission Memorandum on medium-term

conditions with the risk of provoking a *de facto* fracturing of the common market. Clearly a fluctuation of currencies meant a straight modification of the conditions of competition, punishing commercially, those countries where, comparatively, the currency value had increased -the latter being the general case for all goods except for agricultural products which enjoyed compensatory measures. In sum, national reactions to disequilibrium in the balance of payments -resulting from accumulated differentials in the evolution of prices- were likely to result in severe disruptions to intra-Community trade, which in turn would have an effect on optimal national and Community growth and undermine the economic policy objectives of interdependent partners.

Thus, from late 1968 it became apparent that, apart from the external sources of monetary instability (the increasingly obvious shortcomings of the post-war monetary system (point 17.1, chapter IV)), the divergent evolution of prices within the Community was effectively putting in question the maintenance of stable parities; or in other words, that there were internal economic causes for monetary turmoil. Notably, the Community became entangled in a succession of monetary crises which, according to the Commission, were largely the expression of the persistence of substantial divergences in the internal economic evolutions of the member states²⁴. Indeed, not only from 1966 price evolutions within the common market members followed very different routes but, moreover, by the end of 1969 this process was followed by a subsequent disparate evolution of European currencies in relation to the US dollar -notably regarding the FF and the DM. A recurrent pattern was observable: revaluations of DM and Dutch guilder and devaluations of FF²⁵. Indeed, the evolution of the price rate of a gold dollar in relation to the European currencies offered the following picture for 1971 and for 1972²⁶:

Table I.6: Value of a gold dollar expressed in national currencies:

	1 January 1958	1 January 1971	Variation 1958 - 1971	1 January 1972	Variation 1958 - 1972
Germany	4,20 DM	3,66 DM	+ 14.8 %	3,2225 DM	+ 30,3 %

guidelines i.e. Commission, *Comité de Politique économique à moyen terme, Objet: Projet de mémorandum sur les orientations à moyen terme, Bruxelles 7 Novembre 1969* [17902/III/69].

²⁴ See p. 1 of *Projet de mémorandum sur les orientations à moyen terme* [17902/III/69], that is what it would become on 15 December 1969 the Memorandum on medium-term guidelines for economic policy in the Community (1971-1975).

²⁵ The dates and rates of the monetary adjustments are the following: for Germany, 6 March 1961 (1\$= 4.0DM, that is +5.0%) and 27 October 1969 (1\$= 3.66 DM, that is +9.29%); for the Netherlands 7 March 1961 (1\$= 3.62 Fl., that is +5.0%); whereas for France for 11 August 1957 and 29 December 1958 (1\$= 4.93706 FF, that is -29.11%) and 11 August 1969 (1\$= 5.55419 FF, that is -11.11%).

²⁶ Commission, 'Regional policy and economic and monetary union, Geographical disequilibria in the light of the implementation of fundamental economic equilibrium', Brussels 19 October 1971, page 4, hereafter referred as Cros Report [XVI/137/71]. For the data regarding 1972 see: Commission, '*Politique régionale et Union économique et monétaire*', *Exposé de M Jacques Cros, Directeur général de la Politique régionale à la Commission des Communautés Européennes, lors du Deuxième Symposium Européen de Management à Davos le 25 janvier 1972*.

From 1.1.1958 to 1.11.1974 the real value of currencies evolved as follows: DM= +30.4%, FF= -28.6 %, Fl = +4.9%, Lira = -27.0%. See p. 60 van Ginderachter (1975) 'Economic integration and regional imbalance'.

France	3,50 FF	5,55 FF	- 36,9 %	5,1157 FF	- 31,6 %
Italy	625, - Lit.	6,25, - Lit.	---	581,50 Lit.	+ 7,5 %
Netherlands	3,80 Fl.	3,62 Fl.	+ 4.9 %	3,2449 Fl.	+ 17,1 %
Belgium	50, - BF.	50, - BF.	---	44,8159 BF.	+ 11,6 %
United Kingdom	£ 0,357143	£ 0,416667	- 14,3 %	£ 0,38379	- 6,9 %

Ultimately, parity fluctuations of the currencies of those forming the common market were irreconcilable with the unity and continuation of the common market; or in other words, there appeared that there was a limit for currency oscillations within the common market. The Commission estimated that parity fluctuations between the currencies of the Six of more than 0.75% could produce severe setbacks on the free movement of intra-Community exchanges.

Finally, the risk of divergent evolution of prices also posed a problem for common policies, particularly for the common agricultural policy (CAP). Notably, in the common agricultural market, up and running since 1962 and based on common prices (which were expressed in units of account (u.a.) and which remained unmodified) a uniform fluctuation of currencies to the US dollar and the gap between the fluctuation in the member states trespassing a range of 2% below and a maximum of 2.5%²⁷, would call for measures of compensation -in the frontiers of the countries affected by the fluctuations- thus hampering exchanges and fracturing the internal agricultural market²⁸.

In sum, from December 1968 the Commission raised the alarm on the threats that a scenario of price divergence meant for the common market. On a general level, the evolution of prices revealed a scenario of widening differences between the economies of the member states; and, on more concrete grounds, a situation of a large divergence in price levels in the medium term bore the risk of unleashing a spiral of detrimental effects which could put in jeopardy the continuation of the common market and its main policies.

2. The underlying problem of incompatibility of national policy options with the functioning of the market and the exercises of confrontation of medium term economic policy choices.

Over and above the fact that the divergence in the evolution of price levels were, according to the Commission, putting the common market at risk, the truth was that by no means were the level of

²⁷ Commission, *séance du 8 mai 1971* [COM(71) PV162] p. 25, 26 noted: 'If the gap between the fluctuations of the different countries in question remains below a level of 2 % or of maximum 2.5% it would be possible to avoid the introduction of compensatory measures, and therefore, avoiding the fractionating of the agricultural market without creating noticeable perturbations in the agricultural markets'. Original French text in appendix. See also p. 10 of Commission, *Conséquences pour la Communauté de la situation actuelle dans les domaines monétaires et commerciaux, Bruxelles 13 septembre 1971* [SEC(71) 3274 final].

prices (or should they be considered) as a fixed given. In fact, first, the evolution of prices were an indicator of tensions²⁹, but second, and more importantly, the general level of prices³⁰ was certainly a projection, a hypothesis, ultimately, the result of a political decision reconciling economic objectives. From a national perspective, price levels were an outcome, a product, which encapsulated a deliberate political weighing of some major interrelated macroeconomic factors -economic growth, employment, balance of payments.

Furthermore, beyond the national choices and from a Community perspective, price levels involved a deliberate positioning between domestic internal objectives and external equilibrium. Although during the late 1960s particularly large countries had prioritised internal objectives over external stability³¹ (and, thus, underestimated consequent side effects at Community level, such as wide price differentials and monetary adjustments), by the end of the transition period, in a scenario of interdependence, economic policy choices had started to bear immediate consequences on commercial partners. But, in which precise terms did the question of interdependence arise?

The first most obvious form was commercial interdependence. Indeed, during the period 1958-1968 i.e. during the establishment of the customs union, intra-Community trade increased firmly³². But, particularly once the customs union brought along an increasing commercial inter-flow, striking fundamental equilibrium in the balance of trade and the balance of payments gained vital importance. In turn, in such an increasing openness of the economies, national policies and subsequent measures arising from national conceptions regarding price evolution could alter the conditions of exchanges and modify fundamental equilibrium nationally but, also could affect the conditions of equilibrium of commercial partners. Most noticeably, if a situation of national disequilibrium appeared, unilateral policies restricting intra-Community trade -either in the form of commercial or, particularly, parity protection- would have a direct effect on plans of production, of

²⁸ Thus, the devaluation of the FF of 11 August 1969 led to an insulation of the French agricultural market and to the introduction of a system of border taxes in order to avoid, as a consequence of the devaluation, the raising of French agricultural prices in domestic currency terms. Tsoukalis L. (1977), *Op. cit.*, p. 76.

²⁹ In Commission's words: 'The rise in the general level of prices represents a criterion, although somehow rough, of evaluation of those tensions which intervene in the processes of production and of distribution of revenues occurring due to economic, structural or political reasons. The rise in price levels shows the degree of success with which the claims of different social groups and of public administrations have been satisfied in relation to the gross national product in real terms'. Commission, *Stratégies alternatives*, p. 1-2. Original French text in appendix.

³⁰ By 'general level of prices' the Commission understood the implicit index of price of the gross national product at market prices as it is defined in the framework of national accounts. Regarding the conventional criterion of evaluation of prices i.e. the index of the cost of living, it was applied only to a part of the national product. Original French text in appendix.

³¹ Commission, Memorandum of 15 December 1969 on medium-term guidelines for economic policy of the Community, p. 6-7.

³² The share of intra-Community trade within the total EEC trade moved from 30% in 1958 to 45% in 1968. Intra-Community trade reached an average 8% of GNP of the member countries and 1/12 of the members' incomes came from products exported to the partners and another 1/12 from imports from the partners. See these figures on p.7 of draft of the Commission Memorandum of December 1969 on medium-term guidelines [17902/II/69].

sale and of investment of the economic agents in other members apart from undermining business confidence in the irreversibility of the establishment of the conditions of an internal market. In particular, national policies to prevent the loss of reserves and other exceptional safeguard measures not only affected the freedom of transactions and the circulation of the factors of production, but also bore consequences on the rhythm of growth of both the country in disequilibrium and of its most dependent trade partners, and forced sudden modifications of economic policy by partners. In sum, by the end of the transition period, nationally conceived economic policies no longer bore their sole effects within national boundaries; rather, it was emerging that not solely national projections for price levels in the medium term -being substantially the result of different national preferences and priorities regarding various general economic objectives- had, in increasing conditions of interdependence, immediate effects on the functioning of the common market but, notably, underestimating the effects of national priorities on the Community was proving pernicious for the adequate functioning of the common market.

Price levels being the result of national policy choices, the corollary was obvious: national policy options had to be confronted and co-ordinated -especially *a priori*- at Community level, for the functioning of the market in the medium term was at stake. That is, not solely for the effects of interdependence but, rather, for the scenario of divergence was putting the unity and the functioning of the market at risk, the need for embarking the Community on an actual elaboration of reconciled global objectives of economic policy had become an imperative:

If an effective harmonisation of the orientations in the medium term becomes impossible in the course of the following years, the development of the Community would risk to be compromised, either by the adoption of protectionist measures which would undermine the common market and lead finally to a slow down in the growth of the whole of the Community, or by rigorous policies of adaptation to the evolution of partner countries, by which the economic and social consequences would be harmful, or by modifications in the monetary parity, which are in principle contrary to the market logic and to the principle of an EMU, or finally by resort to new forms of relations of exchange that would compromise the continuation of the monetary integration.

The harmonisation of the orientations in the medium term, likewise as the co-ordination of policies in the short term, is the inevitable consequence of the choice made by the member States of the Community in favour of the establishment of customs union that would embrace their economies. To refuse such harmonisation means to put into question that choice³³.

In sum, the convergence of national economies required the co-ordination of national economic policies.

But, in fact, since April 1964 a forum to confront national economic policies as well as an accepted method to facilitate economic policy co-ordination for the medium term existed, namely, the Medium-term economic policy Committee and the elaboration of medium-term economic policy

³³ See p. 9-10 of the draft of the Commission Memorandum of December 1969 on medium-term guidelines [17902/II/69]. Original French text in appendix.

programmes³⁴. The Medium-term economic policy Committee had come to light, from Commission's initiative³⁵, as a forum of consultation and of debate on national economic policy options³⁶. It gathered the economic ministers of the Six countries under the chair of a national representative and Commission's secretariat³⁷. Indeed, since 1964 member States had approved to undertake exercises of study and review of national economic policies as the groundwork for an effective co-ordination of short and long term economic policies, and also had agreed to the elaboration of Programmes as the method to materialise such co-ordination of national economic policies in the medium term. In fact, for ten years³⁸, the Medium-term economic policy Committee's main task was the preparation of programmes and the evaluation of the implementation of co-ordinated policy guidelines. Indeed, in April 1964 the medium term programmes were agreed to be solely indicative in the sense that they would state governments' key economic projections and intentions regarding major economic policy areas. Medium-term economic policy programmes would depart from a confrontation of already espoused national economic policies and, upon them, common denominator guidelines would be put forward to guide national economic policies within a Community framework for the following five year period. In short, the confrontation of the policies was *post factum*, secondly, the programmes

³⁴ See *Décision du Conseil (64/247/CEE) du 15 Avril 1964 créant un Comité de politique économique à moyen terme*, JO 1031/64 du 22.4.64.

³⁵ In 1962 the Commission presented its programme of action for the second phase as directed towards an objective: the co-ordination of national economic policies. See all the documentation in the run up to the creation of the Medium-term economic policy Committee in bibliography under the heading: The origins of medium-term economic policy co-ordination.

³⁶ Commission, *La politique économique à moyen terme de la Communauté, Note d'information Porte-parole de la Commission, 31 Juillet 1963*. Procedures aiming at the co-ordination of short-term economic policies and of budgets were already in place in 1963, but an additional examination in common in the medium-term was judged necessary by the Commission on various grounds, notably, ensuring balanced expansion and monetary stability, facilitating the co-ordination of short-term economic policies and developing a more efficient long term view of public finances to ensure internal and external economic equilibrium. Co-ordination of economic policies in the medium-term would also allow governments to be aware of the policies of the commercial partners and, in some specific cases, to prevent detrimental effects caused by unilateral policies such as structural measures on particular sectors in decline.

³⁷ In its first legislature (1964-1966) the Medium-term economic policy Committee gathered: -president- Dr. W. Langer (*Staatssekretär in Bundesministerium für Wirtschaft*); -vicepresidents- Prof. G. Brouwers (*Secretaris-Generaal van het Ministerie van Economische Zaken*) and P. Massé (*Commissaire Général au Plan d'Équipement et à la Productivité*); and Dr. O. Schlecht (*Ministerialrat in Bundesministerium für Wirtschaft*), M. Kervin de Lettenhove (*Secrétaire Général du Bureau de Programmation Economique*), Dr. G. Landriscina (*Vice Segretario Generale del Comitato Italiano per la Ricostruzione, Ministero del Bilancio*), J. Schmidt (*Conseiller du Gouvernement au Ministère de l'économie nationale*). From the Commission: R. Marjolin and L. Levi-Sandri (vice-Presidents of the Commission), H. von der Groeben, and as alternates F. Bobba (Director general of DGII) and A. Prate (Director General of DG III). During the elaboration of the III MTEP Programme the representative of the Commission in the Medium-term economic policy Committee was normally Raymond Barre and an alternate.

³⁸ That is, till it merged on 18 February 1974 with the Conjunction Committee and the Budgetary Committee to form the larger Economic policy Committee.

constituted a set of recommendations without binding value, and third, the drawn guidelines were qualitative -rather than quantitatively defined³⁹.

These guidelines laid down in the programmes rested on national projections and on a forecast of the economic evolution in the medium term for the whole of the Community. The preliminary economic analysis of the most likely economic perspectives was undertaken by a sub-group of the Medium-term economic policy Committee i.e. the Group for quantitative economic projections. The Group for economic projections would study the hypothesis of diverse economic policy options, and would display, resting on the intended national projections, the most likely economic evolution and the consequences for the Community of national decisions⁴⁰. Clearly the task of this Group was not the co-ordination of economic policies but the detection and indication of the long term effects of national decisions; in other words, once the consequences of the national hypothesis had been laid open, it was for the Medium-term economic policy Committee to draw conclusions and, finally, for the Council to decide upon the co-ordination of policies. The forecasts of the economic evolution in the medium term comprised the perspectives as regards employment, growth, national budgets, monetary and financial stability, external equilibrium as well as the evolution of major economic sectors and their relationship, so that emergent inconsistencies could be revealed and incompatible decisions avoided. In its I and II MTEP Programmes⁴¹, the Medium-term economic policy Committee confronted national objectives of economic policy in the medium term, but in these both cases the programmes were not much more than a set of statements regarding the Governments' macroeconomic intentions as well as particular conceptions of various policy domains which had already been adopted nationally⁴².

By 1968, however, the severe threats of a scenario of economic divergence were going to call for upgrading the scope of the exercises of economic policy co-ordination beyond the narrow nature and reach of the I and II MTEP Programmes. Indeed, it was at the time of the preparation of the III MTEP Programme that the divergence in economic policy orientations and the risks for the continuation of the common market erupted as evident⁴³. Notably, national projections for the period

³⁹ A very clear exposition of the stages of qualitative programming is given by F. Bobba to the European Parliament, see EP's *Commission économique et financière, Procès-verbal de la réunion du jeudi 15 Novembre 1962, Bruxelles*, p.2-3 [PE 8959].

⁴⁰ See *Conseil, Aide-mémoire de la réunion du groupe des questions économiques, tenue les 22 novembre 1963 concernant la recommandation de la Commission au Conseil sur la politique économique à moyen terme de la Communauté*, 20 Décembre 1963, p. 2. [R/1204/63 (AG 445) (ECO 46)].

⁴¹ See *Premier Programme de Politique économique à moyen terme (1966-1970)*, JO 1531/67 du 25.4.67; and *Deuxième Programme de Politique économique à moyen terme (1968-1970)*, JO L 129 du 30.5.69.

⁴² See *Conseil, Troisième programme de politique économique à moyen terme (1971-1975)*, JO L 49 du 1.3.71.

⁴³ In fact, however, at the time of the adoption of the I MTEP Programme the Commission had already noted that the coherence of national projections had only been examined in a rather superficial manner. Marjolin put in question both the significance given to Community perspectives and the procedures for establishing the perspectives for the Community and denounced contradictions among national projections. See p. 6-7 of Commission, *Projet de programme de politique économique à moyen terme (1966-1970)*, Bruxelles 29 Avril 1966 [II/G(66) 186].

1970-1975 for the preparation of the III MTEP Programme revealed a serious divergence in the national hypotheses regarding price levels, namely, a disparate domestic appreciation of the conditions for 'juggling' with major macroeconomic objectives of economic growth, prices, employment and external balance. The confrontation of national projections revealed that Governments aimed at embarking on widely different economic strategies in order to attain a different range of priority economic objectives and, in particular, the accumulative effect of these differences in the medium term was what brought serious grounds for alarm.

In fact, already in 1965, that is on the eve of the adoption of the I MTEP Programme, the Commission had warned of gaps and contradictions in the confrontation of national economic policies⁴⁴ and had also clearly exposed such a scenario of divergence in its Memorandum of 5 December 1968⁴⁵. But, by the beginning of 1969 the compatibility of national preferences and priorities was, for the first time, overtly put in doubt by the Commission and raised directly to the Council in the form of a Memorandum which, raising the risks of divergent performances and policies, proposed actions on various fronts, notably, 'to flock' national policies together into a set of inter-compatible macro-economic objectives, to improve the co-ordination of short term economic policies, to set up mechanisms for monetary co-operation and, for the first time, to outline actions to act upon sources of divergence i.e. structural and regional factors.

3. The Commission's Memorandums of 1969

As stated earlier, knowledge of the divergent national projections and their potential risks arose in the context of the preparation of the III MTEP Programme, but it was the Commission who -on its own initiative- acted to bring the Council's attention to the potential risks arising from the divergence in the evolutions, as well as the economic policies, of the Six. Concretely, the Commission collected the evidence and the analyses from the confrontation of the national projections for the period 1970-1975 and brought up the concern about the likely risks to the Council via two subsequent Memorandums: the first in February 1969 and the second in December 1969⁴⁶.

⁴⁴ Indeed, in the I MTEP Programme -which had been an exercise of stating and commonly debating a handful of economic policies intended to be followed by national governments for the period- the Commission had warned member states that the hypothesis and provisions on which their economic policies rested upon were fragile and raised reserves both in relation to the compatibility of the orientations taken in the medium term and regarding the coherence of the national orientations themselves. See Commission's introduction to the I MTEP Programme and particularly: *Projet de recommandation de la Commission au Conseil, présenté par M. Marjolin au avant-projet de Premier programme de politique économique à moyen terme, Bruxelles 22 avril 1966*, p. 6-8 [II/G(66) 186] [or p.56 in II/(G) 186 rév.].

⁴⁵ Memorandum on appropriate policy in the Community on current economic and monetary problems i.e. Commission, *Mémorandum au sujet de la politique susceptible d'être poursuivie au sein de la Communauté pour faire face aux problèmes économiques et monétaires actuels, Bruxelles 5 Décembre 1968*.

⁴⁶ The first Memorandum of February 1969 was: Commission, *Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles*

Besides depicting such a scenario of economic and policy divergence, the Memorandum of 12 February 1969 on the co-ordination of economic policies and monetary co-operation -prepared by DGII's Commissioner Raymond Barre and so-referred as the I Barre Plan- put forward a multi-stranded set of proposals, notably, co-ordination of national economic policies in the medium term (policy compatibility), better co-ordination of short term economic policies (improvement of consultation procedures), the creation of a mechanism for monetary co-operation and, crucially for our purposes, structural actions. But no draft proposals -apart from a draft decision on the co-ordination of the current economic policies of the member states- were appended to the I Barre Plan; rather, the memorandum was presented as the wide policy backdrop from which to launch action in various interrelated fields.

3.1. Economic policy compatibility

Concerning the convergence of evolutions and of policies, Barre proposed to define *a priori* the limits of tolerability of policy divergence or, in other words, to define the confines of mutual compatibility of national economic policies. The compatibility of national economic policies with that of the partners was proposed to be measured and operate on the basis of four major macroeconomic indicators: growth rates, employment, prices and balance of payments. These indicators not only had the quality of conveying a synthesis of economic policy orientations, but they were also, in themselves, global objectives in the medium term⁴⁷. These four indicators offered a picture of the national options taken in dealing with the 'magic triangle': prices, growth and external balance. Also crucially, the search for the compatibility of the above national macro-economic objectives was proposed, for the first time, to be *a priori*, namely to operate on the national hypothesis, on the economic projections, so that to lay *ex ante* the path within which national economic policies ought to gather and converge in order to prevent disruptions in the common market. Such compatibility of global objectives did not mean the definition of identical or unique objectives for all countries but, rather, the definition of a range of values within which, if national policies conformed, the risks of imbalances or monetary adjustments could be prevented⁴⁸.

12 février 1969 [COM(69) 150]. An English version in Bulletin of the EECC, 1969 Supplement 3. The second Memorandum was originally entitled '*sur les problèmes que font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres*' (evolution of production, of prices, current account and global balance of payments) to finally become: *Mémorandum de la Commission au Conseil sur les orientations globales à moyen terme (1971-1975) de la politique économique dans la Communauté*, Bruxelles 15 décembre 1969 [COM(69) 1250]. An English version of the second Memorandum is annexed to Bulletin of EECC 1970.

⁴⁷ Commission, *Mémorandum sur les problèmes et les orientations de la politique économique à moyen terme. Schéma Préliminaire*, 19.9.69, page 4 [16335/II/69].

⁴⁸ The margins of compatibility of each of the indicators varied and, thus, the margins of tolerability of divergent evolution of prices were narrower than those of growth since, even though prices and production costs did certainly not determine the relative position of each partner in the exchanges, it was the persistence of substantial divergences what was likely to put in question the maintenance of parities.

In the February Memorandum, or I Barre Plan, apart from proposing that the Council held a debate on the perspectives of evolution in the medium term and agreed to bind national economic policies to reconciled global objectives in the medium term, the Commission also proposed control and consultation measures directed towards short term economic policy, particularly to allow consultations before any adoption of unilateral protective measures running against the common interest of the functioning of the common market.

While in the Memorandum of February 1969 the Commission proposed a solution of compatibility - among other strands of action- and asked the Council to hold a debate in autumn 1969 on the perspectives of economic evolution for the Six, in the Memorandum of 15 December 1969 the Commission proposed the concrete ranges for the four above-mentioned indicators demarcating the mutual compatibility of national economic policy choices. Before the Commission submitted its second Memorandum, the Council -on 17th July 1969- agreed to hold a debate on the problems raised by the divergence of national economic evolutions by the end of 1969. Then, in December 1969 the second Commission Memorandum laid down in a second Memorandum the quantitative projections in the four domains which compatibility was suggested to pivot upon i.e. prices, growth, employment and balance of payments. Unlike the February Memorandum, the second Memorandum of December 1969, providing the concrete global objectives figures was prepared in close collaboration with national representatives at the Medium-term economic policy Committee; clearly the attempt to define convergent objectives in the medium term could only be effective with the acquiescence and support of this co-ordination committee. From the examination of the Memorandum of December 1969, on 26 January 1970 the Council agreed to the co-ordination of national policies through the definition and the operation of compatible objectives and charged the Medium-term economic policy Committee to prepare the III MTEP Programme for the period 1971-1975 on the basis of these quantitative compatible orientations. By so doing, the Council was agreeing to elaborate at Community level a concerted and mutually compatible policy strategy for price stability and growth. On 9 February 1971 the Council adopted the III MTEP Programme, and with it, the commitment to comply to a quantitative global co-ordination of national economic policies in the medium term.

3.2. The response to currency adjustments: monetary co-operation

Closely linked to the proposals for stronger co-ordination of economic policies, and more 'realistic' than previous approaches launched by the former DGII's Commissioner Robert Marjolin⁴⁹ (notably, changing the stress from irrevocable fixed exchange rates to, instead, parity changes only by

⁴⁹ See 'Memorandum of the Commission on the Action Programme of the Community for the Second Stage', 24 October 1962.

agreement, and no longer engaging on the creation of a reserve fund but on a mutual assistance system) the I Barre Plan aimed at monetary 'co-operation' rather than monetary 'integration'⁵⁰.

The I Barre Plan envisaged two types of action in the monetary domain: an improvement in the existing consultation arrangements, and second, the intervention of mechanisms of monetary support. Concerning consultation arrangements, the Commission suggested to move beyond the existing consultation procedures within the Monetary Committee. Concretely, the I Barre Plan proposed that parity changes could be made only by common accord as the *a priori* consultations had clearly failed to be effective and Governments had proven to largely disregard common opinions⁵¹. Besides procedural improvements, the I Barre Plan also suggested to examine the possibility of a complete elimination of intra-EEC margins of fluctuation and also the setting up of 'Community machinery' to allow for short term monetary support and for medium term financial assistance. In both cases these mechanisms of monetary aid would intervene under certain conditions and limits, subject to a previous stage of consultation and in cases of severe external financial difficulties.

In fact, the I Barre Plan was going to become by the end of the year, at the Hague Conference, the basis for the launch of the EMU Programme⁵². The EMU programme will be examined later on (point 17, chapter IV), we will just stress now that in the I Barre Plan the Commission was putting forward a multi-faceted package of measures covering short-term policy co-ordination, medium term policy compatibility, monetary co-operation and also structural actions in the aim of responding to the widening differences between the economies of the Six. The multi-stranded nature of this package was going to be contested and substantial divisions in terms of strategies between mainly France and Germany, namely a conflict over the prioritisation of economic over monetary measures or vice versa, was going to emerge. The Commission, however, presented currency adjustments and their divergent behaviour as being largely a consequence of economic evolutions. In other words, a share of responsibility of the monetary turmoil undergone by the European currencies (Table I.6) was stemming not only from external causes (speculative waves and the gradual crisis of the Bretton Woods system), but were, ultimately, a reflection of an underlying pattern of economic divergence conspicuously visible from 1968, if not earlier. But, over and above, for the I Barre Plan, neither the fracturing of the common market nor currency adjustments could be prevented by either solely devising a compatible set of policies aiming at price stability, nor by improving consultations among member states; inescapably, ensuring monetary stability -and subsequently the eventual convertibility

⁵⁰ See Dyson K. (1994), *Elusive Union. The process of Economic and Monetary Union in Europe*, Longman, London, p. 72.

⁵¹ Even if consultation in case of change of parity was already functioning, the deficiencies of these consultations was revealed in the monetary turmoil of November 1968. See Tsoukalis (1977) *Op. cit.* p. 69 and 76.

⁵² The Hague Conference of 1-2 December 1969 embraced the Commission proposal for a 'Community of growth and of stability' and charged the creation of an *ad hoc* committee gathering national ministers under the presidency of Pierre Werner to draft a plan to attain EMU by stages.

of the Six currencies- involved the creation of the adequate economic conditions to deliver convergence.

4. Actions on the structures: regional policy within convergence measures

From 1968 the Commission consistently defended the thesis that the divergent evolutions of the European economies, and the subsequent monetary adjustments of the monetary turmoil during the period 1969 to May 1971 were, partly but fairly, due to structural disparities within member states:

When one looks at the causes of the divergences observed in the course of these previous years, it is necessary to note unpredictable factors and, notably, unexpected changes in the internal social and political conditions of the member States. On the other hand, perturbations of the international monetary system have not occurred without influencing notably the elements of internal and external equilibrium. But the essential cause of these divergences are, on the one hand, the disparities in the structures and the differences in the behaviours and, on the other, the diversity of attitudes in relation to the conception of objectives of economic policy in the medium term⁵³.

According to the Commission, from 1968 structural disparities within member states started to compromise external balance, optimal and sustained growth, and the proceeding of the integration process.

4.1. The unveiling of the structural factor of divergence

To evidence the true effect of national structural conditions into the final divergent economic and monetary evolutions at Community level, the Commission first borrowed the terms and accounts of classic macroeconomic analysis so that to reveal that a deeper element 'manufacturing' divergence at Community level existed, but which was not picked up by classic macroeconomic analysis based on the evolution of prices. The Commission showed numerically that the gap of 20% of differential between the best and worst performing currencies, reached between 1958 and 1971⁵⁴, could not be accounted for without raising and considering forms and processes of disguised and contained inflation which, although not directly showing up in macroeconomic accounts on the evolution of consumer prices, did effectively involve a consumption of national capital. Let us see that in more detail.

The Commission gave evidence of the fact that in France price levels had certainly been higher than in the other EEC members in the period 1958 to 1969. Indeed, macroeconomic indicators showed that in France and in the Netherlands the explicit consumer price index had increased more than elsewhere:

⁵³ See point 4 of draft of Commission Memorandum of December 1969 on medium-term guidelines [17902/III/69].

⁵⁴ See the values of the adjustments in Table I.6 and in footnote 25.

Table I.7: Evolution of consumer prices (average annual percentage of increase)⁵⁵

	% 1960 - 65	% 1965 - 68	1969 %	1970 %
Germany	2,8	2,3	2,7	3,8
France	3,8	3,3	6,4	5,3
Italy	4,9	2,3	2,6	5,0
Netherlands	3,5	4,3	7,5	4,4
Belgium	2,5	3,2	3,8	3,9
Luxembourg	--	--	--	--
United Kingdom	3,6	3,7	5,5	6,4

The degree of observed extra inflation would certainly reflect in the final currency values, however, if one was considering the average annual rates of growth at constant prices from 1960 to 1970 one had to conclude that it was in France and in Italy where productivity had increased the most:

Table I.8: Average annual rates of growth 1960-1970⁵⁶

	Price index of the GDP at current prices	GDP per person employed at constant prices	GNP at constant prices
Germany	3.47 %	4.44 %	4.92 %
France	4.46 %	5.07 %	5.81 %
Italy	4.42 %	6.13 %	5.66 %
Netherlands	4.85 %	4.04 %	5.13 %
Belgium	3.45 %	4.03 %	4.89 %
Luxembourg	3.74 %	2.67 %	3.41 %
EEC	--	5.00 %	5.32 %
United Kingdom	4.08 %	--	2.81 %

Correcting the measure of productivity by taking into account the duration of the average annual number of working hours, the growth of German productivity in table I.8 would be underestimated and, in fact, it would be at the same level as for France.

All these accounts showed, therefore, that between 1960 and 1970 there had been between Germany and France a gap in the evolution of prices of an average of 1.1% per year. An average of 1.1% a year resulted -for a 10 year period- in a differential of 11% by the end of the period which was clearly not grasping the full reality. Indeed, the actual monetary gap between France and Germany was one of over 20% in 1971⁵⁷. So, macroeconomic analysis could only explain about half of the currency adjustment underwent between the two major countries in the EEC. This discrepancy in the figures arising from national macroeconomic analysis and the figures of the actual currency adjustments provided the Commission with the evidence that there had to be other factors which were not grasped

⁵⁵ Commission refers to source: O.C.D.E. *Les politiques actuelles de lutte contre l'inflation*, juin 1971.

⁵⁶ Commission, *Exposé de M. J. Cros, Politique régionale et union économique et monétaire*, p. 8.

⁵⁷ That is, the gap between August 1969 to October 1969: 11.11% + 9.29% = 20.40%. See these figures in footnote 25 above.

(or whose consideration was omitted) by macroeconomic indicators, but, which, ultimately and effectively, did have an effect on currency instability.

Recognising the role played by speculative capital movements in the monetary dislocation of this period, the Commission certainly acknowledged the monetary interpretation of currency adjustments. In other words, although the usual explanation of these currency imbalances between the major European countries in monetary terms (i.e. by arguing that short-term speculative capital movements could, in a system of convertibility at fixed parity, exhaust abruptly the gold and exchange reserves of one country and accumulate them in another) remained the major explanation for the changes of parity of European currencies against the US dollar, ultimately, the Commission argued that a share of blame had to reside in economic causes. Indeed, even running the classic comparison of economic performance by the actual recollection of macroeconomic indicators i.e. especially those of price evolution, productivity and rhythm of growth, the large disparity in economic performance and, particularly, in the evolution of the currencies could still not be satisfactorily accounted for. The Commission reproached monetary explanations to be partial and argued that there were deeper economic causes inducing divergence in the economic and monetary evolutions of the common market members. Notably, the full stretch of the gap between Germany and France could be completed and better explained by regarding an element not appearing in macroeconomic accounts but, nonetheless, having a hidden effect on the value of nation's capital: the evolution of the economic and social structures.

So, what was there -in the underlying structures of the Community- provoking divergent economic and monetary evolution among the Six? What were the structural roots of asymmetrical (divergent) growth within the Community?

4.2. Structural inelasticities of the supply and external equilibria

The 1950s and 1960s recorded pervasively high output and productivity gains, even if (as shown in point 1) the performances of the Six, comparatively speaking, displayed divergent degrees of success. Without entering into the motives of the post war economic boom, it seems to be unquestionable that one of the reasons accounting for Western Europe's good performance had to do with the high and sustained levels of demand enjoyed in this period. Without aiming at taking a position on whether the high demand was the actual *major* reason for that good performance (Aldcroft 1978)⁵⁸ or not, nor on the determinants of such high demand, what is relevant is that the literature seems to admit that especially demand for exports, was high and sustained during the 1950s-1960s⁵⁹.

⁵⁸ See p. 179, chapter 5 of Aldcroft D. H. (1978) *The European Economy 1914-1980*, London Croom Helm.

⁵⁹ The literature on all these debates -whether demand was an autonomous element which induced changes in supply, whether it was supply which governed the rate at which demand increased, whether growth was export led or not- is wide-ranging: some authors argued for a strong weight of a high demand together with governments' growth stimulation policies (see Maddison A. (1964) *Economic growth in the West*. p. 43. A.

The nature of a substantial Community concern on regional imbalances was brought up by the Commission in 1969 and considered in their relationship to external equilibria⁶⁰; notably, they were portrayed as geographical manifestations of structural inelasticities coupled with a situation of high levels of demand not being able to be satisfied by national production potential. In such situations where, in addition, the liberalisation of exchanges had been institutionalised, demand in national markets found itself inevitably exposed to imports from EEC commercial partners and, thus, unsatisfied national demand was met with Community imports. The consequences of such a route were not harmless: excessive demand coupled with inelastic structures resulted in a loss of external equilibrium. Moreover, under the common market, involving the removal of restrictions on imports and equivalent measures, countries under disequilibrium were left to resort to exchange rate modifications as a means of correcting both commercial and payments imbalances. Yet, as monetary adjustments were a direct threat to competition, the requirement was arising to address a global regulation of both demand and supply.

This takes us back to the I Barre Plan and to another element of the convergence 'package' which has been left aside so far: structural regional action. Indeed, the Commission's package aimed at a better consultation on short term measures, a reconciliation (compatibility) *ex ante* of national macroeconomic policy preferences in the medium term and at monetary co-operation. But also the I Barre Plan attempted to act upon the conditions which would make such convergence possible, for no compatibility or *nominal* macroeconomic convergence could withstand in the longer term unless the conditions for external equilibria of its members were addressed. In other words, only from a global regulation of both demand and supply sides, situations where pronounced disequilibrium in the balance of payments of a member could be a catalyst for adopting protectionist or distorting measures such as currency adjustments, could effectively be avoided. The structural action envisaged by the Commission constituted one part of a two-sided strategy towards the convergence of economic evolutions: one addressing the regulation of global demand by proposing orientations regarding public finances, revenue, budgetary and fiscal policy, and the other strand, addressing the supply side i.e. the problems of the production apparatuses.

The aim of the regulation of demand would consist of adapting excessive demand to the possibilities of the productive potential. Such a regulation of high demand was to be brought about by the instruments of revenue and fiscal policy. However, the control of high demand was a double-edged tool: even if demand ought to have been halted, in some cases, equally, the drive of high demand could also work as a factor of 'modernisation' i.e. the regulation of demand could be determinant to

Boltho (ed) (1982), *Op. cit.*). Other authors put forward a supply-push account (C.P. Kindleberger (1967) *Europe's Post-war growth*, N. Kaldor (1966) *The causes of the low rate of economic growth of the UK*) stressing the role of labour abundance. Others provided particularly relevant national experiences and situations (Denison E.F.(1967) *Why Growth rates differ* The Brookings Institution, Washington D.C.).

boost an adaptation of the production apparatuses, thus bypassing and avoiding direct State intervention⁶⁰. Furthermore, within a common market, the pressures of demand would expectedly have the tendency to spread and become uniformly high all throughout, thus placing an increasing pressure on the supply side.

On the supply side, according to the Commission, regulation would have to address the problems of production capacities. The majority of the structural difficulties boiled down to problems of rigidity of the production apparatuses, resistance to mutations and, ultimately, the defensive positions of all those affected. Regional imbalances being understood by the Commission as geographical rigidities, a structural policy 'of progress' ought to frame and guide mutations to the evolution of market needs i.e. capital and labour ought to be stimulated towards those activities with higher returns and, only exceptionally, intervene to accompany mutations. Thus, a 'market friendly' structural policy shaping and guiding national regional responses in their addressing of structural rigidities and which would guarantee the adequate functioning of the common market as well as being an economic policy instrument towards the attainment of the objectives of the Treaty was being proposed.

Thus, structural action was portrayed as a constitutive element of a global co-ordinated policy regulating the situation of excessive demand and inelastic supply which was partly determining the negative position of balances of payments in some countries, and which translated, at the Community level, into economic divergence and monetary instability. In sum, action in the structural domain had an instrumental and complementary character towards the attainment of harmonised economic evolutions, without which the common market could not adequately continue. In other words, Community structural actions were conceptualised by the Commission with a specific objective: as instruments for attaining fundamental national equilibria and in the pursuit of an equilibrated expansion of the Community. In sum, the Memorandums of February and December 1969 pointed out for the first time at a substantially structural understanding of regional imbalances conceived in the context of economic convergence. Notably, not solely structural actions should accompany and facilitate the co-ordination of national economic policies, but, for the first time, regional concerns were understood in structural terms as part of a package searching for the convergence of the economies of the Six. Upon this substantial conceptualisation of a regional concern stemming from the Memorandums of 1969, DGXVI elaborated its understanding of a fundamental regional objective for the Community.

⁶⁰ See this exposition of the Commission's diagnosis in p. 1-10 of draft of Commission Memorandum of 15 December 1969 on medium-term guidelines [17902/III/ 69].

⁶¹ Commission, *Comité de Politique économique à moyen terme, Avant-projet pour le chapitre III du III Programme de politique économique à moyen terme: 'Les orientations pour la politique économique'*, Bruxelles 3 Juillet 1970 [10325/II/70]

5. The demarcation of structural and regional objectives for the Community

5.1. *The implicit structural objectives in merging the markets, the uneven scenario of structural transformations and beyond: the problem of the gap between structural evolutions*

From 1958 the members of the common market experienced a period of economic expansion with rates of growth of an average of 6% per year. Irrespective of whether or not these levels of growth were largely a result of the establishment of the common market, important transformations were triggered in the domain of the structures of production and demand. It had been expected that the merging of six markets had an effect on economic structures, but how far had the intended structural objectives, as laid down in the blueprint for the establishment common market i.e. in the Spaak report, been realised?

The scenario of structural mutations a decade after the signing of the EEC Treaty offered a mixed balance sheet (Cros 1977), by 1969 a series of structural mutations had taken place but, equally, other expected structural outcomes had not occurred. A very clear outcome of the common market was the boost experienced by exchanges among EEC members. Conspicuously, as well, some key sectors of the economy, notably the agricultural and steel sectors, had begun a thorough structural transformation -even if those transformations were not let run free but oriented and regulated through public interventions. However, other structural transformations originally both intended and expected had not spontaneously occurred, to mention only a couple of them, the realisation of larger dimensions and a larger specialisation of production units were not occurring extensively⁶². Equally, the concentration of capital to exploit economies of scale was more than patchy⁶³ and, in fact, multinational enterprises from outside the EEC⁶ had taken advantage this situation. For others as well (van Ginderachter 1975, p. 58) there have been significant economies of scale, but little specialisation effects resulting from the EEC.

As will be seen later (point 7, chapter II), the EEC Treaty was conceived conspicuously silent regarding the elaboration of a regional or industrial development policy which would intervene to encourage and/or direct all these mutations⁶⁴, when, in fact, the merging of the markets and their organisation on the basis of equalised competition rules was expected to work as a structural weapon.

⁶² In fact, it was present from the beginning of the European project -and the Spaak Report had made explicit reference to it- the disadvantaged competitive position of European enterprises in relation to their US counterparts in terms of enterprise dimension. Certainly, achieving larger enterprise magnitude was expected to allow a greater technology input and, subsequently, productivity increases, but this dimension implied a degree of specialisation which had not been fully realised. Even if a share of the increase in intra-Community exchanges could be attributed to the specialisation of certain production processes, in other sectors, what had occurred was a multiplication of the available supply rather than a specialisation. Cros mentions the car industry as an example of such un-realised specialisation. See Cros J. (1977), *Introduction à l'économie européenne*, part II, p. 4.

⁶³ Cros noted that the steel sector seemed to show a trend of concentration, but whether than trend was motivated by an effort of rationalisation or by a movement of national defence was also open to debate

⁶⁴ For the Treaty provisions concerning structural and regional imbalances see point 7 (chapter II).

as an efficient instrument for undertaking major structural mutations in sectors, in enterprises, in the work force and last, but not least, in the regional economies. The Treaty signatories seemingly trusted that either the free interplay of market forces would not pose severe regional consequences or that structural evolution would ensue optimally or that, in any event, the conduction of structural policies was a matter of Governments' responsibility⁶⁵.

By 1968, however, structural rigidities started to emerge across the Community, although in a disguised and uneven manner. To pin down the scenario of the emerging structural rigidities we will turn to the diagnosis made by the II Medium term economic policy Programme⁶⁶. The II MTEP Programme dealt thoroughly with structural mutations, gave a general conception of the principles of structural policy and exposed the national orientations concerning a structural policy for the adaptation of enterprises, industry and services sectors, agricultural structures and scientific and technical research⁶⁷. The basic reasoning exposed in the II MTEP Programme was that the economic evolution of the recent years had raised evidence of an acceleration in the structural mutations and of the need to introduce vast reforms in the structures of the national economies. The II MTEP Programme forecasted the probability of accelerated structural mutations under the effect of the completion of the customs union, of increased competition from third countries, of an acceleration of technical progress and of modifications in the structure of demand. Meanwhile, however, the actual processes of structural adaptation -of sectors as well as of enterprises- seemed to be insufficiently advanced and, notably, were running into delay in relation to the realisation of the customs union and of the liberalisation of world trade. More concretely, the Medium-term economic policy Committee pointed out that sectors in difficulties occupied, comparatively, a far too important place and weight in the structures of the Community's economy, whereas the most promising sectors were hardly represented -particular mention was made of the electronics sector. Like sectors, enterprises had not adapted sufficiently to the new conditions either. In general, enterprises in the common market showed insufficient profitability and dynamism and poor innovative capacity. Enterprises had not taken advantage of the larger market and had remained comparatively small, insufficiently specialised and ill-adapted to competitive standards in an international market⁶⁸. The I and II MTEP

⁶⁵ That is apart from the provision for financial support from the EIB and from stating the pertinence and opportunity to raise regional objectives at the time of the elaboration of the CAP and for the attainment of its objectives. See point 7.1 (chapter II) for the Treaty provisions concerning a policy for regional structures.

⁶⁶ On 20 March 1968 the Commission -without modifying the text drafted by the Medium-term economic policy Committee- submitted for adoption to the Council the project of II MTEP Programme. The draft projects were: *Comité de politique économique à moyen terme, Avant-projet de deuxième programme de politique économique à moyen terme, Bruxelles 15 mars 1968*, [COM(68)148/3] and the Commission's *Projet de deuxième programme de politique économique à moyen terme, Bruxelles 20 Mars 1968* [COM(68) 148 final].

⁶⁷ The II MTEP Programme adopted by the Council on 12 May 1969: *Conseil, Deuxième Programme de Politique économique à moyen terme*, JO L 129 du 30 Mai 1969.

⁶⁸ Chapter II deals with the needs for adaptation of enterprises and fingers at the legal and fiscal obstacles impeding the achievement of plurinational character enterprises. It also defends the attaining of a definition of an status of European society, a European patent, the harmonisation of taxes on societies' benefits and the progressive establishment of a European capitals market.

Programmes also pointed out the need for an increase of factors of production. That is, an increase on the offer of the labour force and of its professional qualifications and re-adaptability⁶⁹. In general, the Commission argued, rigidities arose from insufficient geographical, professional and sectoral mobility of the factors of production⁷⁰. Regionally speaking, suffice it here to mention the accusation that national governments had not achieved a sufficient implantation of new and sound economic activities in backward regions or in those suffering from a regression in employment.

The Commission certainly subscribed to the II MTEP Programme's statement that resistance to structural mutations was emerging and that the pace of reform was not sufficiently mastered. However, for the Commission, the problem went beyond: underlying asymmetrical growth, was the fact that structural transformations were occurring in a far from harmonised manner comparatively speaking. In fact, what was emerging was a growing gap between the evolutions achieved in the supply sides of the European economies. It was, ultimately, this increasing gap between the adapted economic structures from those ill-adapted that was at the root of the divergent growth performances within the Community. Thus, some countries, about a decade after the signing of the Treaty, showed from their economic evolution, to have effectively undergone necessary structural transformations and managed (better) to reduce rigidities in the supply side of their economies. Others, on the contrary, were characterised by a severe resistance to structural adaptation. These resistances translated into growth levels. The reasons why the structures had responded and evolved differently since 1957 were to be found, to start with, in the original *collage* of national structural situations. To those roots the Commission added various national factors: such as the differences in national temperaments, in the domestic behaviours of economic and social agents, the diversity of attitudes in the governments' choice of economic policy priorities⁷¹, and finally, the actual orientations and the intensity of governments' actions when addressing and dealing with structural evolutions i.e. the problems of national structural policies.

For the Commission, the relationship between structural transformations and growth was straight forward; just as structural transformations had not occurred harmoniously, neither was growth ensuing harmoniously across the members of the common market. As the evolutions in the structures grew apart, economic performances diverged. The Commission was implicitly saying, without

⁶⁹ The annual rate of additions to the labour force were modest: an annual 0.6 % between 1960 and 1965 and a smaller increase of 0.4% for the period 1965 to 1970. Plus in 1968 an stagnation in the active population in Germany was foreseen (see *Commission, Politique économique à moyen terme, Bruxelles 2 décembre 1968* [V/20200/68]). The I MTEP Programme had dealt with various possible measures to increase the supply of labour force such as through the management of compulsory education and of the legal retirement age, by an increase in feminine work force, by immigration policies and through the possibility to intervene in the duration of work. See I MTEP Programme chapter IV.

⁷⁰ Certainly, agricultural labour force went into the industry sector but its share of employment remained fairly constant. Ultimately, partly due to the fact that the service sector maintained low rates of productivity growth, that redundant agricultural force entered the services sector. See Aldcroft (1978) *Op. cit.*, p. 164).

⁷¹ See quotation by the Commission in the introduction to this section B), or point 6-8 of Commission's December 1969 Memorandum.

denying the importance of other external factors, that an uneven pattern of structural evolution between France and Germany was amongst the original causes of the divergent paths taken by these economies since 1966. In other words, the element of dispersion of the economies resided partially in the diverse degree of adaptation -of elasticity- of the national supply to a high demand which, incidentally, was becoming uniform -even if at different paces- across the common market members. Equally, the relationship between the adaptation of production structures and the external balance was immediate. In those countries not adapting to high levels of demand, national demand turned into a high demand for exports which materialised into external disequilibria. Ultimately, within a common market, inelasticities and rigidities in the supply side compromised competitiveness and the ability to respond to national high demand for exports. In short, the inelasticities of the national supplies were likely to provoke external disequilibria, particularly, where a large stretch between the degree of a national rigidity and the capability of a partners elastic supply was occurring.

So, while the establishment of the common market had put in contact a patchwork of structural situations, and although the EEC Treaty laid down no provision for intervention in the evolution of the structures, by 1968 the Commission claimed in global structural terms for the first time, the need to intervene in what had been until then a spontaneous evolution of the structures of the Six. For the first time in the life of the Community since the signing of the EEC Treaty, the unevenness of the structural transformations in member states was threatening the continuation of the European venture -the monetary dislocation was proving it. Concealed but effectively, the underlying and uneven structural inelasticities became manifest in the form of divergent evolution of the economies of the Six, in the form of asymmetrical growth. Since un-regulated structural transformations were fuelling a divergent evolution of the economies of the Six there was emerging a need for some form of 'harmonisation' of the structural evolutions⁷². Such 'harmonisation' would prevent both external disequilibria and policy divergences. The urgency had come, according to the Commission, for a deliberately intended approximation of structural evolutions, a certain positive 'harmonisation' of the structures of the Community.

Let us note that for the Commission, 'harmonisation' did not mean homogenisation but a reduction of the disparities between disparities i.e. a reduction of distortions⁷³. Indeed, the Commission did not raised the alarm on a manifest different economic evolution, nor on the perceived asymmetrical growth of the economies of the Six *per se* but, rather, on an excessive growing gap in the economic evolutions of its members. Indeed, it was the excessive gap between adaptation and ill-adaptation to

⁷² Commission, *Comité de Politique économique à moyen terme, Premières indications sur le contenu possible du Mémorandum de la Commission sur les problèmes que font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres, (Note des services de la Commission), Bruxelles 2 mai 1969 [9000/II/69]*.

⁷³ See Cros 'Les Déséquilibres géographiques dans la CEE face aux objectifs de l'union économique et monétaire', *Revue d'Économie Politique*, Avril 1974

market conditions of its members which posed a threat to external equilibria and could provoke speculative movements and unravel monetary instability. The Commission argued that such 'reduction of the disparities between disparities' was a direct and legitimate Community concern, for its consequences in the form of external disequilibria were critical for the continuation of the common market. Hence, the concern being one relating to the excessive dispersion of national structures, and without renouncing to eliminate structural disparities altogether, the task for the Community ought to pragmatically set the priority on the elimination of the largest disparities among (not within) countries⁷⁴.

So where were the largest structural disparities residing? According to the Commission's analysis, the divergent evolution in the national structures were markedly revolving around: disproportionate differences between the sectoral composition of the economies of the common market members; social disparities i.e. demographic imbalances, gaps between the degree of adaptation of the labour markets and levels of labour productivity across the EEC6-; and finally, disparities in the adaptation of the regional economies⁷⁵.

5.2. The nature of regional disparities for the Community: structural geographical imbalances

So in which sense the Commission talked of regional disparities? What was the nature of this gap, the nature of these geographical imbalances? The Commission raised a correlation between the level of development of a given region and the level of productivity of each of its grand economic sectors, i.e. in its agricultural, industrial or services sector⁷⁶. Thus, most developed regions displayed the highest levels of productivity in each of their sectors whereas the lowest productivity rates were found in those less developed regions. In other words, both the industrial and the agricultural sectors were most productive in industrialised regions. Geographical (regional) imbalances were, consequently, neither determined by the type of economic activity predominant in a given region nor by the dominance of agricultural activities over the industrial sector or vice versa. Rather, geographical imbalances were apprehended as consisting of differences -of imbalances, of disparities- in productivity levels⁷⁷. Based on this correlation between development and productivity

⁷⁴ Cros (1974) *Op. cit.*, p. 147.

⁷⁵ The Commission says in the Memorandum of 15 December 1969, p. 6: 'The structural disparities between member states result notably from the demographic situation (particularly of the pyramid of ages), from the level and the content of industrial development and, finally, from the amplitude and nature of regional disequilibria'.

⁷⁶ See p. 11 of Cros Report [XVI/137/71]. An extended exposition of the basic notions and conceptualisations on this report of 19 October 1971 can be found in Cros J. (1974) *Op. cit.*, p. 147.

⁷⁷ Obviously the existence of low levels of productivity did not necessarily equate with a regional disparity. Indeed low productivity of a sector which was not geographically concentrated did not translate in lower GDP per capita. That is, a structural disparity relating to an economic sector or to a branch was regional or not, depending on whether the sector -for instance coal or textile industry respectively- were geographically concentrated. Equally other apparently geographic disparities such as the case of frontier regions could in reality consist of a type of disparity arising from general problems of economic, social and monetary organisation. Cros (1974) *Op. cit.*, p. 148.

levels, regional disequilibria played a role in the structural disequilibria of the economy i.e. in the productivity and income differences between sectors and within sectors. Therefore, one could more accurately refer to 'regional imbalances' as 'structural geographical imbalances'⁷⁸. Indeed, the Commission understood regional disparities as geographically based inelasticities and rigidities of the structures of supply. Such inelasticity or rigidity was conveyed in terms of productivity differences for each of the sectors of the regional unit, notably, regional disparities conveyed the geographically based lower productivity in all the sectors enclosed in a delimited unit.

But still, where was the Community dimension or the Community concern about what could be, after all, considered a national problem? To start with, geographically based structural and sectoral inelasticities could influence the evolution of the economy in the short term and have implications on general economic development and on subsequent short and medium term policy choices. But more specifically for a Community concern, and analogously as in overall structural disparities, it was the large disparities between regional disparities which were more likely to have an effect on national external equilibria. Indeed, by 1969 the Commission described a bleak picture on the regional state of affairs in the Community: the gap between industrialised regions and less developed regions had increased since the founding of the common market. Although undoubtedly, less developed regions had grown, the recorded widening of the gap was the result of comparatively faster growth in concentration areas⁷⁹. For the Commission, the aggravation of regional disparities since 1958 indicated that regional economies were growing at different paces. In turn, the different pace of economic growth indicated that the structural effects of the merging of the national markets i.e. the process of division of labour, specialisation, modernisation, enterprise mutations, competitive capacity, labour adaptation, etc. had not been achieved harmoniously across the regions of the Community. In the global expansion of the economies, some regional economies were - comparatively- not transforming and thus, far from evolving harmoniously, the productivity of their sectors, and consequently incomes, were growing apart. Regional imbalances, and particularly their intensity, was one of the structural factors accounting for the divergent structural and economic evolutions and for incompatible policy orientations of member States. In sum, the Community concern on national structural inelasticities was one of avoiding flagrant disparities i.e. of avoiding distortions at Community level.

⁷⁸ This terminology is used by Cros (1974) *Op. cit.*

⁷⁹ Thus was expressed by the cabinet of Commission's vice-president Levi-Sandri: 'The situation is so much worrying as the existing gap at the time of the entry into force of the Treaty has not only not been bridged, but rather, a clear tendency to accentuate has been registered even if all less developed regions made a considerable progress. This tendency is due in a large part to the fact that the acceleration of progress in the industrialised regions has been larger than originally foreseen'. See p.1-2 of Commission, *Cabinet of vice-président Levi-Sandri, Note au secrétariat général, Objet: Politique régionale, Bruxelles 20.VI.69.*

Indeed, nationally the disparities in productivity and income were conspicuous⁸⁰. The Commission gave evidence of the different degree of geographical structural imbalances within each of the Six by examining the distribution of the population across each of the Six, and by displaying the income and productivity deviations according to three types of region in the Community: agricultural, semi-industrialised and industrial regions (see table II.9). It became clear that national disparities in terms of incomes and productivity were large and significant for the FRG, France and Italy whereas for the Benelux countries the deviations were either very slight or concerned only a small percentage of the population of these countries.

For Germany the significant deviation was appearing between the industrial and semi-industrial regions -since a 90% of the population lived in these regions- being of a value of 16.9% for income and 20.1% for productivity. For France, the deviation between agricultural and industrial regions, accounting for 70% of the population, was of 33% for income and 29.4 % for productivity; and the deviation between industrial and semi-industrial regions was of 15.6% for income and of 9.3% for productivity. In Italy, where 58% of the population lived in industrial and agricultural regions, the deviation between agricultural and industrial regions were of 45.9% in income and 38.0% in productivity; and that between industrial and semi-industrial regions was 29.8 % for income and 23.1% for productivity.

Table II.9: Income-Productivity and deviations according to the types of region in the Community⁸¹ (u.a. current prices) value 1970⁸².

⁸⁰ 'A great inequality is observable, among Community countries, in the intensity of the regional disparities affecting their economies. This inequality is found in the distribution of the total population and the active population, as well as in the disparities of incomes and productivity', p. 20, Cros Report [XVI/137/71].

⁸¹ The selected regions are, for statistical purposes: the provinces in the Benelux, the *Regierungsbezirke* in Germany, programming regions in France and the *regioni* in Italy.

⁸² Source: Cros Report [XVI/137/71] p.23bis, or also reproduced in Cros (1974) '*Les déséquilibres géographiques ...*', p. 153.

Type of region	FRG	France	Italy	Netherlands	Belgium	Luxembourg
Agricultural	Income = GDP/inhabitants 1969	2,111	1,175	-	1,730	-
	Productivity = GDP/active person 1969	5,249	3,433	-	5,192	-
	% territory	62.5	55.3	-	14.4	-
	% population	39.4	38.9	-	2.3	-
Semi-industrial	Income	2,433	1,524	1,917	-	2,650
	Productivity	5,413	6,759	4,259	-	6,407
	% territory	54.5	28.7	35.0	-	100
	% population	34.6	29.6	42.3	-	100
Industrial	Income	2,931	3,164	2,171	2,247	-
	Productivity	6,773	7,441	5,536	6,437	-
	% territory	33.11	8.8	9.7	67.7	-
	% population	59.9	31.0	18.8	86.8	-
Total	Income	2,701	2,603	1,510	2,203	2,650
	Productivity	6,151	6,392	4,214	6,359	6,407
Deviations income	Agricultural-Industrial	1,043 (35.6%)	1,053 (33.3%)	996 (45.9%)	-	639 (26.9%)
	Semi-industrial- Industrial	498 (16.9%)	494 (15.6%)	647 (29.8%)	330 (14.7%)	-
Deviations Productivity	Agricultural-Industrial	2,524 (37.3%)	2,192 (29.4%)	2,103 (38.0%)	-	929 (15.2%)
	Semi-industrial- Industrial	1,360 (20.1%)	682 (9.2%)	1,277 (23.1%)	626 (9.7%)	-

So national regional disparities were significant. But, crucially, taking those national disparities at a Community level, the gaps and their intensity increased even further. Namely, at the aggregate Community level, the gaps between the most productive regions of the Community and the less productive appeared as effective distortions. Thus, on the ground, although the delimitation of the actual Community concern on regional problems was refined and reformulated throughout the years⁸³, two main issues reflecting on Community equilibrium mattered to the Community, namely, low revenues per capita -low productivity- and inadaptation. Thus, regional policy would convey the public effort to pursue a faster development of either regions lagging behind general expansion -i.e. regions to develop-, or to solve structural problems of regions already industrialised but in decline⁸⁴. Underdeveloped regions were understood to be those regions where all economic activities -although often predominately agriculturally based- were characterised by low productivity, and by unemployment or underemployment of the labour force. Regarding the problem of inadaptation, it covered various forms of industrial regional decline: the decline of certain traditional industrial activities which were geographically concentrated, or the ageing and slowing down of regions of ancient industrialisation⁸⁵. In other words, it concerned objectives of industrial reconversion and of industrial adaptation and the tackling of unemployment clusters, the fall of revenues and the finding of economic relays for already industrialised regions under structural mutations.

Recapitulating, in an effort to distinctly demarcate the nature of a specific and substantial Community concern on regional imbalances, according to the Commission, structural geographical imbalances mattered to the Community in so far as the gaps in productivity among regional economies, effectively

⁸³ Since 1961, and at various instances, typologies of geographical structural inelasticities for the Community were produced, namely, at the 1961 Conference (Commission (1962) *Documents de la Conférence sur les économies régionales, Bruxelles 6- 8 Décembre 1961, vol. I, II*), in the reports of three groups of experts of 1964 (Commission (1964) *Rapports de groupes d'experts sur la Politique régionale dans la CEE, Bruxelles juillet 1964*), in the 1965 Communication (Commission, *Première Communication de la Commission sur la Politique régionale dans la Communauté Économique Européenne, Bruxelles 11 mai 1965* [II/SEC(65) 1170 final]), in the regional chapter of the I MTEP Programme, in the Note on regional policy (Commission (1969) *A Regional Policy for the Community*, Brussels, Office for Official Publications) and in the III MTEP Programme. The inventory of regional problems for the Community provided from the early stages did not vary drastically although some developments took place through the late 1960s and early 1970s such as the emergence of the problem of overbidding, over-concentration, the acuteness in which industrial regions faced transformations (the industrial crisis in the Ruhr in 1967) and what it seemed the maximum absorption of agricultural labour force by the industrial sector. See also point 14.1 (chapter III) on the issue of the priorities for regional Community intervention.

⁸⁴ See the introductory report by R. Marjolin -vice-president of the Commission- at the *Conférence sur les économies régionales*, vol. I, p. 21. The distinction is maintained by the Three Groups of experts of 1964 and largely by the 1965 Communication [p. 12 II/SEC(65) 1170 final] which overall was based on the three Reports of the experts.

⁸⁵ Group II of the experts of 1964, charged by the Commission to examine the problems of regions already industrialised with an ageing structure, distinguished two different types of structural disequilibria. Notably, it distinguished between sectors in regression and regions with an ageing structure, see Commission, *Division*

apart from a Community perspective, were likely to lead to fundamental disequilibria and, thereafter, to economic and policy divergence.

6. From economic union to EMU and the continuity in the conceptualisation of regional concerns

By 1971, however, the EMU venture was launched. The Hague Summit of Heads of State or Government of December 1969 (point 17, chapter IV) expressed the wish to see the Community develop into an EMU through the implementation of a phased plan. Yet, the conceptualisation of a regional objective for the Community and the role of regional policy as a constitutive element of a search for convergence of economic evolutions and economic policies did not lapse with the resolution to move into EMU by stages, rather, it remained valid in its purpose throughout the 1970s and was, in fact, re-enforced by the EMU programme. Indeed, while in terms of the analysis of the I Barre Plan, disparate structures were putting into question both the effective harmonisation of economic policies and the convergence in the evolutions necessary for the attainment of an economic union, EMU was now imposing, as an imperative, the full observance of the defined global orientations in the medium term and the harmonisation of underlying economic priorities. In absolute terms, EMU was indirectly making of the correction of the largest disparities an 'inevitable' requirement. Such requirement rested not only on the need for economic and policy convergence for EMU, but also on the detrimental direct contribution of structural geographical inelasticities to -besides economic and policy divergence- monetary instability.

As economic union moved into EMU, DGXVI developed on the relationship between regional imbalances and exchange stability, inflation in particular, by portraying structural geographical imbalances as both creators and amplifiers of inflation as well as being antagonistic to the economic and the monetary objectives of the EMU programme. Indeed, with the upgrading of the economic union into an EMU regional action not only remained part and parcel of the attainment of economic policy co-ordination, but the direct relationship between regional imbalances and exchanges stability, and thus with a programme of EMU, was intentionally raised by DGXVI. DGXVI, without abandoning the conceptualisation of the nature of a Community concern on regional issues, upgraded its analysis by raising the aspects of disruption susceptible to arise from large disparities in regional development at Community level, namely, the problem of inflation and its likely conflict with EMU objectives.

The entry of inflation into the casuistic and advocacy for Community action regarding structural and regional disparities did not occur fully till 1971, although the Note on regional policy had already

Reconversion Industrielle, Note d'Archives, Objet: Réunion du 22 février 1963 Groupe 2: chargé d'examiner les problèmes des régions déjà industrialisées à structure vieillie, Luxembourg 27 Février 1963.

mentioned it⁸⁶. Some authors (Vanhove & Klaasen 1980) have pointed out that it was to the Commission's merit to have analysed in depth the relationship between regional disequilibrium and inflation in the early 1970s⁸⁷.

The problem of inflation, and broadly speaking, the problem of price stability was during the late 1960s and 1970s perhaps the most significant economic problem faced by Western economies, their 'number one priority'⁸⁸. Keeping an upward trend since the mid-1960s, inflation was affecting national growth, employment and external balance and, at Community level and particularly for a programme of EMU, fixed exchange rates could not be expected to endure within a group of countries in which national price trends diverged (as seen in point 2) and which experienced wide cumulative rates of inflation. From 1969, and particularly in 1971, awareness of the complexity of the inflation phenomenon seems to have gained momentum. Surely price rises had different nature in the late 1960s and early 1970s, yet, even though from the second half of 1971 external factors spread inflation to the Six, provoking disparate national responses⁸⁹, the analysis and the lessons drawn by the Commission regarding the internal structural factors fuelling inflation would not lose their validity.

It has been seen before (point 4.1) how the Commission maintained that the disparate European monetary adjustments against the US dollar could not be simply explained by resorting to a comparison of major macroeconomic indicators. Macroeconomic indicators could display and account, although only to a certain extent, for the inflationist tendencies distorting currency values. Yet, structural causes of the monetary adjustments were fingered by the Commission as being responsible for a share of disguised and contained inflation -*inflation larvée*- neither explicitly accountable nor reflected in classic macroeconomic accounts but effectively developing underway⁹⁰. According to the Commission, the

⁸⁶ Commission, 'Note on regional policy' p. 32.

⁸⁷ To expose the Commission defence of the share of structural causes of the final inflation see: Commission, Cros Report p. 7-29 [XVII/137/71], and *Exposé de J. Cros Politique régionale et union économique et monétaire* on 25 January 72.

⁸⁸ Aldcroft (1978), *Op. cit.*, p. 255.

⁸⁹ In fact, a new externally driven form of inflation developed by August 1971, namely, an inflation by contagion which followed the US government's protectionist measures of 15 August 1971.

⁹⁰ The Commission vindicated the inflationary tendencies of ill-adapted structures and sectors in *Stratégies Alternatives*, p. 19, 20 [21535/III/68] and in the Memorandum of December 1969 [p. 3 COM(69) 1250]. But in October 1971 we find the Commission coming up with actual figures, at a stage where the original proposal of monetary co-operation of the Memorandums of 1969 had turned into an actual first stage of a programme for economic and monetary union. This being within the first stage of EMU, the Commission's DG for regional policies (DG XVI) produced a study (which in the end remained internal) on the contribution of geographical imbalances to fundamental economic equilibria where the Commission argued how geographical disparities worked as epicentres of inflation, that is, what we have referred to as the Cros report (Commission, 'Regional policy and economic and monetary union, Geographical disequilibria in the light of the implementation of fundamental economic equilibria' [XVII/137/71]). Because the Community had embarked into EMU, from 1971 the relationship between regional disparities and external equilibria is treated in relation to EMU objectives. Therefore, from 1971 the terms on which

various forms of supply's inelasticities did not surface directly, neither immediately, nor at all times. Rather, structural inelasticities were working underway and became manifest in the national accounts in their due time as consumption of the nation's capital and in the final national performance.

According to the Commission regional disequilibria created or amplified inflation. In particular, two categories of inflationary factors developed -as such- from the actual existence of geographical structural imbalances. A share of inflation developed in concentration zones and another in less developed regions, with the effect that the greater the regional disparities within a country the greater the propensities to inflation. The first inflationary trend was revealed as emerging from a process of cost-push in what the Commission called 'concentration areas' whereas the dynamics of inflation in less developed regions were seized as the dynamics of demand-pull.

What was the Commission referring to by a cost-push inflation in concentration zones? The cost-push referred to either the costs of the factors of production or the costs of infrastructures. Certainly the cost of the factors conditions the productivity of economic activities and in periods of high demand, such as the 1950s and 1960s, the most productive activities located in concentration zones tended and were able, because of their level of productivity, to attract production factors (labour, capital, raw materials, services, etc.) at high prices. This process of attracting factors of production at high prices was not inflationary insofar as competition pressures checked the rise of the factors' prices within the limits of the growth achieved in productivity. Even if concentration zones were able to maintain such remuneration of the factors, the problem was posed by the sheer fact of diffusion to other sectors within the same concentration area which did not have the same chances to increase their productivity. When concentration zones inevitably encouraged a rapid diffusion of those higher costs to either other activities in the same branch or to those activities -like by being obliged to match wage increases to those in the most productive sectors- but into sectors and branches which did not have the same possibilities of productivity, there, inflation emerged. Therefore, the exporting or the diffusion of high costs by a tendency of wages tending to become uniform even where the productivity was not offsetting high costs was a factor of inflation. This form of cost-push price increase was reflected either directly in prices or was temporarily incorporated in the form of a potential inflation -in a consumption of the enterprise's own capital.

But the diffusion effect of this type of inflation also affected other regions by the fact of intra-sectorial relations. That is, as high costs, prices and wages tended to become uniform, geographically speaking, those higher costs were either reflected directly in the final prices, or were temporarily incorporated as

regional and structural factors affected price levels was addressed in terms of their contribution to monetary divergence -rather than only as having an effect on the divergence in price levels.

diffusion within a given branch. The Commission noted that although immigration of labour could halt the diffusion of inflation by offering the possibility of maintaining low wage costs at a time of price increases and, therefore, that the inflationary trend of wage costs in concentration zones could be halted - as indeed inflationary tendencies had been corrected by the immigration of workers in West Germany and in Italy in the 1960s- she dashed out to state that these two responses were not appropriate solutions to the problem of labour costs pressures and their diffusion.

Yet another form of high costs was at play in concentration areas: the cost of infrastructures. Although the inflow of labour could check inflationary tendencies in concentration areas, it also involved an investment in social capital for public authorities in order to accommodate the incoming population in a relatively short time, when the existing social capital was already utilised to capacity. Investments in social infrastructure carried the risk of inflation in concentration regions mainly due to the high costs of economic infrastructure in the concentration area such as the price of the land, the complexity of the civil engineering involved and the high interest rates that public authorities had to pay on borrowed capital. In other words, the cost of infrastructure in concentration zones became inflationary when the optimal size which allowed the development of external economies on which economic activities take advantage -in terms of proximity of suppliers, offer of services- passed that threshold whereby any further enterprise demand for more infrastructure involved a volume of public cost the financing of beyond public authority's reasonable financing capacity. This inflationary character of the infrastructure costs in over-concentrated zones was also expressed directly in prices or, otherwise, remained temporarily contained. Thus, as a conclusion emerging from the consideration of factors' prices: concentration zones constituted a source of declared or potential inflation, both from the point of view of cost of infrastructures and that of cost of production factors, with a diffusion effect towards the less developed regions⁹¹.

In less developed regions the Commission noted that price rise tendencies were taking the form of a process of demand-pull which had their source in both the phenomenon of uniformisation of demand - whereby the population in these regions demanded levels of consumption equal to those enjoyed in the concentration zones- and in higher infrastructure costs. The desire for consumption as well as the vivid perception of developed regions led to claims for higher remunerations where productivity levels in all sectors were, in fact, lower. Thus, the uniformisation of the pressure of demand would tend to eliminate different minimum wage zones in relation to regional economic development even in regions where productivity levels were low. A rise in wage levels in less developed regions which besides, were quantitatively speaking, more labour dependent than production in concentration areas, would have severe repercussions for the local enterprises by narrowing profit margins and thus halting investments

for further productivity. Ultimately, what was happening was that the original demand-pull turned into a dynamic of cost-push inflation. Thus, the Commission concluded that the less developed regions were not only, by their very situation, at the origin of inflationary tendencies, but they generally felt the repercussion of them with greater intensity⁹¹.

Apart from inflationary tendencies arising from the uniformisation of demand pressures, a second form of demand pull was occurring regarding the provision of infrastructures and, particularly, their higher costs in less developed regions. In such regions, where population density was low and economic agents were geographically dispersed infrastructures were a cause of inflation because they did not allow cost-efficient production and because the costs of construction and maintenance of those infrastructures were not offset by an optimal efficient use. Thus national regional aids granted for infrastructure provision would generally generate inflation unless laid down around poles of development.

So, structural and, more especially, geographical disequilibria, i.e. disparities in productivity, and therefore in income, contributed to create inflation or to amplify external inflationary factors and to develop provisionally contained forms of inflation. The situation was as follows: although costs and demand were exported and tended to become uniform, geographically speaking, productivity levels were neither exported nor harmonised. In brief, the contact between different levels of productivity in concentration and in less developed regions meant a uniformisation of demand not matched by productivity levels.

Indeed, there was for the Commission a share of inflationary tendencies arising from the unevenness of the geographical distribution -across the national territory- of the structural rigidities of production both in sectors and in branches. Yet, ultimately, the inflationary potential of the geographical dimension of these rigidities -even if they were, admittedly, sources of inflation- was subsidiary or additional to what was ultimately a background of structural deficiencies. That is, inflation was emerging from a scenario of rigidities in the structures, from the inability of insufficiently productive sectors -either in concentration zones or in less developed regions- to respond with productivity gains to the uniformising rise of production costs. So, underlying the actual appearance of inflation and its enlargement by the sheer existence of geographical structural imbalances, was the problem of the rigidities of the production apparatuses. The internal factors contributing to price rises were, ultimately, a problem of insufficient elasticity of structures in relation to the pressures of demand⁹² provoking, besides, price rises with most

⁹¹ Cros Report [XVI/137/71] p. 17.

⁹² Cros Report [XVI/137/71] p. 18.

⁹³ Diagnosis of DGXVI's director general, see p. 13 of *Politique régionale et Union économique et monétaire: Exposé de M Jacques Cros*.

propensity and acuity were economic structures displayed a situation of imbalance of economic structures and productivity rates:

It is in fact a problem of elasticity of structures in relation to the necessities of demand.

The more substantial are the geographical disequilibria within an economic entity, the greater is the propensity to inflation there, either because the entity creates it or because it amplifies the inflationary movements it receives (e.g. of monetary origin).

And hence in view of the fact that the characteristics of demand tend to become uniformised in our societies, the importance -in an economic entity- of geographical disequilibria which are the most rigid tends to determine the propensity to inflation in this economic entity⁹⁴.

But not only did inflationist factors developed further where economic activities and population were unharmoniously spread throughout the national territory, rather, an 'inflationist dialectic' between the different types of regions would be unleashed which would gain further strength where marked differences between regions were most severe⁹⁵. Thus, the Commission concluded that the countries with a territorial pattern of disparities in the levels of productivity, income and population showed a greater propensity to develop inflation than those where economic activity was more evenly distributed throughout the national territory.

Besides, given that the characteristics of demand tended to become uniform, the wider the geographical imbalances -these also being the most rigid-, the larger the propensity to inflation. Bearing in mind the types of regions in the Community, their preponderant economic activities and their active population, the Commission concluded that all Community members had an inflationist structure. However, the geography of structural inelasticities was not translating automatically or unconditionally into inflation. In some cases the inflationary structure related to the importance of the concentration zones (Netherlands), for others it was due to large imbalances between industrialised and underdeveloped regions (Italy, France, Germany). However, even though Italy was the country with the most inflationist economic structure, traditional lifestyles in underdeveloped regions halted demand at least till 1969. It was in France where the geographic structures of the economic apparatus and the national behaviours had been the most inflationist of all the Six⁹⁶. In brief, although all countries were susceptible to develop inflation arising from the existence of important concentration zones, the propensity to either openly manifested inflation or to hidden inflation were very different and linked to the additional reasons just spelled out. All in all, however, the countries showing most propensity to develop the largest inflationary tendencies, even if for different reasons, were Italy and France.

⁹⁴ Cros Report p. 20, [XVI/137/71]

⁹⁵ Cros (1974) *'Les déséquilibres géographiques dans la CEE...'*, p. 11.

⁹⁶ *Politique régionale et Union économique et monétaire, Exposé de M Jacques Cros*, p.17.

Recapitulating, within a programme for EMU the correction of large disparities in regional imbalances would work in favour of keeping at bay inflationary dynamics which indeed had direct consequences on monetary stability. But besides the inflationary effects of regional imbalances, the existence of regional disparities were antagonistic for the attainment of both the monetary and of the economic objectives of EMU⁹⁷ -as defined by the Heads of State and Government at The Hague Conference of 1-2 December 1969 and in the first Resolution on the establishment of EMU by stages of 22 March 1971.

Notably, regarding the monetary objectives the EMU programme required the attainment of a complete convertibility of the members' currencies based on a permanent fixing of exchange rates. Quite clearly, the intensity of structural geographical imbalances -influencing the propensity to inflation in the Six, even if in each in a different manner, as just seen above- risked currencies developing in divergent directions. In other words, a sufficient equilibrium in the structures of the countries that formed the monetary union was argued as necessary to attain the elimination of the margins of fluctuation and the irrevocable fixation of parity relations.

Regarding global macro-economic objectives (point 4), the Council had so far approved a search for compatibility among national economic policies in terms of growth, employment, (price) stability and external equilibrium. So, how did regional disparities affect each of them? First, the Commission considered that the correction of regional disparities would contribute to growth in quantitative terms, in qualitative terms and in the foundations of Community growth. In terms of volume, developing growth potentialities of production and of consumption where these were dormant as well as efficiently reducing the excessive and un-optimal investment costs in over-concentrated zones was a contribution to economic growth. The achievement of a growth of quality meant to balance the activities geographically to the fullest extend. The adaptation of regional economies meant also an extension and a diversification of the economic foundations of the Community. Second, the objective of full employment could not be achieved without a reverse in the situation of underemployment or unemployment in backward and declining regions. The full utilisation of labour potentialities was linked to a qualitative and harmonious growth. Third, landscapes of contiguous over-concentration and underdevelopment risked the achievement of stability of prices and of monetary parities as shown just above. Furthermore, propensities to divergent currency evolutions posed the threat of governments undertaking special measures which would render more difficult or even run counter to the co-ordination of the economic policies necessary for EMU. Forth, ultimately, the presence of structural geographical imbalances in their effect on growth, employment and price stability did have a direct effect on international competitiveness. Lower

⁹⁷ See Cros Report, part II p. 30-38 [XVI/137/71].

competitiveness at a time where economies consolidated their dependency on external trade meant a risk of disequilibrium in the balances of payments.

Finally, let us stress that although the Commission developed and elaborated the relationship between regional imbalances and EMU, ultimately, Community action on regional disparities was not 'simply' an EMU requirement -even if indeed EMU required a correction of the largest structural geographical imbalances for both inflationary and for monetary and economic purposes; more at heart, EMU required a convergence of economic evolutions and a convergence of economic policies, and these were, ultimately, the original and fundamental reasons for regional intervention. As it will be seen later (point 16, chapter IV), this conceptualisation of a regional concern at Community level in the context of the risks of economic and monetary divergence was endorsed by member states on 26 January 1970. On this date the Council agreed in principle on the striking of macro-economic compatibility in the medium term, on a more effective policy co-ordination in the short term, on some structural action to be spelled out by the Medium-term economic policy Committee and, in the monetary domain, on the laying down of fundamental options for the attainment of EMU by stages, which the Council commissioned to a Group of experts under Pierre Werner's presidency in March 1970⁹⁸.

From this moment onwards EMU was going to preside the agenda of the Community. Action on regional structures started to be seen against the background of a final fixing of currency values and thus, as instrumental to this end. Nonetheless, it should not be forgotten that the Commission's conceptualisation of monetary action, as well as structural action, was always linked and responding to the problematic scenario of economic divergence for the functioning of the common market.

Conclusions

It was not till 1968 i.e. ten years after the signing of the Rome Treaties, that the economies of the Six displayed clear signs of having evolved divergently. Due to both internal and external factors, economic and policy divergence started to manifest clearly from various indicators, particularly from price levels. According to the Commission, a scenario of economic and policy divergence carried a real risk for the continuation of the common market. Annual divergences in price levels could in the medium term lead to external imbalance which, likely to be accompanied by speculative movements, could result in a quick loss of gold and exchange reserves in those countries in disequilibrium. In turn, situations of severe disequilibrium in national balances of payments were likely to instigate unilateral and protectionist

⁹⁸ *Décision du Conseil du 6 Mars 1970 relative à la procédure en matière de coopération économique et monétaire* JO L 59/44 du 14.3.1970.

national reactions -such as the resorting to parity modifications. Not least, exchange rate instability was likely to distort both competition and agricultural pricing and, ultimately, fracture the common market.

Until 1968 the issue of the convergence of national economies had clearly been alien to the development and functioning of the common market. Precisely in this context of economic divergence of the late 1960s a specific regional objective for the Community i.e. substantial and distinct, was conceptualised for the first time. The Commission took in part the neo-classical view that divergent economic performances were, ultimately, the result of uncoordinated macroeconomic policies and that, therefore, the need for convergence was calling for the definition in common of compatible macro-economic global objectives aiming at stability in the balance of payments, a control of national demand and, ultimately, at attaining an optimal functioning of the common market. In other words, the risks of a scenario of economic divergence were bringing along the need for embarking on an actual harmonised conception of macro-economic objectives in the medium term so that to attain a degree of compatibility of national policy choices and engineer an optimal policy strategy of price stability and growth for the Community as a whole.

But beyond a pure macro-economic account of the scenario of divergence, according to the diagnosis of the I Barre Plan, the spontaneously and unregulated realisation of structural transformations explained also to a good degree, the divergence in economic policies and performances which the common market underwent in the late 1960s and which were putting the common market and the attainment of the economic union in jeopardy. Applying a traditional theory of international trade, according to the Commission divergent evolutions and, to an extent, currency adjustments, were the culmination of a persistent situation of disequilibrium in the balance of payments in some countries, which was partly the result of a national situation characterised by an excessive national demand not matched by national production capacities. Certainly without denying, nor diminishing, the role of external factors in provoking the economic divergence and monetary instability of the late 1960s and early 1970s, according to the Commission, fundamental structural reasons were contributing to the divergent economic performances and policy evolution of the Six. The extent and the nature of regional imbalances in each of the Six was one amongst a number of internal factors accounting for the divergence which was putting the continuation of the common market at risk. Seen within its wider framework, Community structural involvement was perceived as a complement to the solution of compatibility and originally motivated by a search for attaining national fundamental economic equilibria.

Indeed, by 1968 the first signs had emerged that the common market could neither continue functioning nor delivering its economic benefits unless the levels of productivity and competitiveness of its regional economies and sectors attained a certain harmonisation. According to the Commission, from the initial

merging of the markets of the Six, structural transformations had proceeded unevenly across the common market. Such uneven structural evolution i.e. the uneven presence and intensity of structural rigidities were explaining, to some fair extent, both the asymmetrical growth and the economic policy divergence that the Community experienced since 1968. A form of regulation of the structural evolutions at Community level i.e. a deliberate intervention to ensure a certain degree of approximation, of harmonisation in the evolution of the structures of the Six was becoming an imperative for the continuation of the common market.

Substantially, regional imbalances were treated as productivity imbalances on the basis of a clear correlation between the level of development of a given region and the level of productivity of its sectors. By geographical structural imbalances the Commission conveyed, mainly, the geographically delimited lower competitiveness of regional economies in comparison with those most adapted. Thus, the task of approximation of structures boiled down to an elimination of the wide deviations in productivity and in income levels appearing at Community level when national regional disparities were compared. While the national disparities and Community distortions revealed the uneven geographical consolidation of structural mutations, the specific Community concern had to consist of the reduction of the gap created between those geographically better adapted structures and those most rigid ones. In sum, rather than an abstract and general correction of relative income differences, a regional objective for the common market was argued for its contribution to economic and policy convergence. The upgrading of the economic union into a EMU would not alter the justification for regional actions by the Community; in fact in pure theoretical grounds, a programme to attain EMU reinforced the need for harmonising structural conditions across the Community.

II. THE COMMISSION'S DETERMINANT ROLE IN THE EMERGENCE OF A POLICY COMPETENCE (1959-1972)

As seen in the previous chapter, the Commission came up with the conceptualisation of a fundamental regional objective for the Community in the context of the economic divergence of 1968-1969. That conceptualisation was not the first attempt made by the Commission, nor the only possible one, nor even the last. Before this attempt, in fact from 1959, the Commission took up a pro-active stance towards this area of public policy not explicitly earmarked by the EEC Treaty as of Community competence. Indeed, although the Treaty paid no concrete determination to regional objectives, nonetheless a number of references and tangential incursions into regional issues were made from various policy domains. These opportunities opened by the EEC Treaty were explored by the Commission in an attempt to elaborate on a regional direction and to launch a regional agenda for the Community.

The emergence of a regional policy competence was a process not solely characterised by the determinant influence of the Commission but, ultimately, it meant the demarcation of a new policy domain in relation to other policy areas, particularly in relation to agricultural policy and competition policy. The formulation of a regional objective was a deeply disputed and internally divisive dossier for the Commission up until the Paris Summit of October 1972 when new policy developments (EMU and enlargement) would enter into play and finally settled what can be described as a contest of conceptualisations, of objectives (point 17, chapter IV).

A) The regional aspects of the EEC Treaty

7. The Treaty's scope to accommodate a regional objective

So how could that emerging fundamental and specific Community regional objective -as being described in chapter I- be translated into a competence? On which legal basis could that emerging regional objective be pursued by the Community? But, first of all, what was the Treaty's treatment of regional objectives?

7.1. The EEC Treaty provisions relating to regional policy

The most direct provisions in the EEC Treaty relating to regional issues were the following:

a) The **preamble**: a concern for the unity and the balanced development of the economies of the Six.

A Community concern for the long term economic development perspectives of the regions was laid down in the preamble of the EEC Treaty linked to a wish to attain the unity and the harmonious expansion of the economies of its members. Thus the signatory States declared themselves to be:

Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions,

The text seems to convey that in view of a harmonious development of the economies of the member states the gap (in development) between regions ought to be reduced and the backwardness of those less favoured ones be remedied. In other words, in principle, the Community had an interest in or a concern for the long term economic perspectives of its regions in so far as the Community aimed at the unity and development of the economies of the countries belonging to it.

Precisely to this objective i.e. to ensure the conditions of an equilibrated development the Spaak report¹ defended the creation of an Investment Fund. The recommendations of the Spaak Report are seen below.

By 1965, on the grounds of the need for the Community to pursue a steady growth of quality and without breaks, the Commission argued in the draft of I MTEP Programme the need to undertake a co-ordination of national regional policies and programmes. Notably, without a policy aiming at the expansion of the economic base and at quality of growth the high levels of growth attained up to 1965 were at risk of being interrupted since geographical disequilibria conditioned a balanced growth in the medium term (point 8.2).

b) **Article 2:** a task of promoting harmonious development of economic activities entrusted to the Community.

The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, accelerated raising of the standard of living and closer relations between the States belonging to it.

This article is commonly interpreted as laying down a political concern for regional policy; namely, a concern for a distribution of economic activities in a harmonised manner across the Community territory. In contrast with the preamble -which referred to the development of the economies of the member states- in article 2 the Treaty is not alluding to the expansion of the national economies as a whole, but to the expansion of economic activities. Nevertheless, although article 2 laid down a task,

¹ That is the report mandated by the members of the European Coal and Steel Community (ECSC) at the Conference of Messina of 1-2 June 1955 in order to study further plans of economic integration, particularly, the creation of a common market, and which set the broad guidelines of the process of negotiation leading to the adoption of the EEC and Euratom Communities. *Comité Intergouvernemental créé par la Conférence de Messine, Rapport des Chefs de Délégation aux ministres des Affaires Étrangères, Secrétariat, Bruxelles. 21 Avril 1956.*

if this task is compared with the recommendations of the Spaak report, one has to admit that article 2 was eventually a rather general and vague statement.

Indeed, the Spaak report advocated -apart from establishing rules and procedures for the control of state aids- a deliberate action of economic development. This deliberate action would be accompanied by the creation of a Investment Fund² which would mainly support projects of infrastructure provision in underdeveloped regions, projects of industrial reconversion and creation of new economic activities.

A development in common of the less favoured regions, as in fact one finds in each of the participating countries, is a fundamental necessity for the success of the common market (...) the gap can on the contrary increase cumulatively if the fundamental conditions for a development of productions are, to start with, not created by public means, that is: infrastructures of roads, ports, and communication means, operations of draining, irrigation and an improvement of the soils, the creation of schools and hospitals. A positive and collective action is on the contrary a common advantage for the regions where development is sought as well as for the best favoured regions (...)³.

The Spaak report was arguing for a deliberate and positive public action in order to ensure that the basic elements for the development of regions were present everywhere. This common action was conveyed as an indispensable 'condition' for a common expansion i.e. to avoid the ever widening of differences in development -which, takes us back to the concerns of the preamble of the Treaty.

In addition, the Spaak report defended the co-ordination of national development plans in order to avoid contradiction of national efforts and to allow national plans to develop in co-operation:

It is important here to recall that certain regional development plans are in progress and that others could be undertaken in the time being. The problem of the co-ordination between the development of these plans and that -progressive- of the common market will have to be regulated so that the different efforts do not conflict among each other but, on the contrary, regional plans can favourably develop in a framework of European economic co-operation and unity. Propositions could be presented by member States or by the Commission in this respect⁴.

In sum, the Spaak report envisaged a regional task for the common expansion of the common market and of its economies; it defended the co-ordination of development programmes and advocated for

² The resources and the credit capabilities of this Investment Fund were foreseen by the Spaak report to be constituted by a initial input in capital by member states of a size of one billion US dollars. See p. 150 of Romus P. (1975), 'La création du Fonds Européen de développement régional: début de la politique régionale européenne?' *Revue du Marché Commun*, no. 184, p. 149-152, Avril 1975, Paris.

³ Spaak report, p. 77-78. French text in Appendix.

⁴ Spaak Report, p. 18-19. French text in Appendix.

the creation of an investment fund which, essentially conceived with a banking character, became instead the EIB⁵.

Not sufficient research seems to have been made on the policy conceptions and then on the real negotiation of the Spaak report leading to the signing of the Rome Treaties⁶. Still, strictly for our needs, it seems clear that if one confronts the recommendations put forward in the Spaak report against the actual Treaty provisions regarding regional policy, one has to conclude that the EEC Treaty did, by no means, honour the recommendations of the report -apart from the notion of expansion of the economies in the preamble and, as it will be seen later, the task of surveillance of state aids. Indeed, no deliberate policy of economic development as a condition for the success of the market, no co-ordination of national regional programmes and no creation of a regional fund -apart from the EIB resources- was taken on board by the Treaty signatories. In sum, neither the co-ordination nor the promotion were taken on board in the final Treaty. Instead, in the form of a general statement and without engaging on any type of instruments, article 2 laid down an abstract concern for a harmonious development of economic activities.

It does not seem valid enough the general remark that the lack of interest at the time on a regional agenda was due to the fact that only Italy suffered from regional problems since, even though a comparison on the relative dimension of the regional problems across the common market seems to concede to the Italian case a particular gravity, regional problems were a pervasive problem in each of the Six. That is, the importance of the imbalances regarding the distribution of population and of economic activities was, in the years immediately before the signing of the Treaty, a commonplace. Thus, although certainly there were enormous differences in prosperity at Community level, other reasons, such as the fact that regional policy included a range of measures in economic, transport and infrastructure policy of a country, seems to have been perceived by member states as an involvement which would create an excessive burden on Community duties, which would grant excessive power of scrutiny to the Commission and which, besides, would presumably alter channels of political allegiance between national authorities and their electorates⁷.

All told, admittedly, article 2 can be interpreted as laying down a general concern that the economic development ensuing from the common market ought not to benefit only some countries, or some regions of particular countries, but rather, the whole of the Community. The Community had, at most, a generally stated obligation to vigil -with unspecified means- that a harmonious (comprehensive) development followed after the six markets had merged. However, this task was

⁵ According to P. Romus the idea of a Regional Fund had been put forward at the Messina Conference of 1956. Romus (1975) 'La création du FEDER ...', p. 149.

⁶ See accounts from policy insiders: in p. 274-303 of Marjolin R. (1986), *Le travail d'une vie. Mémoires 1911-1986*. Éditions Robert Laffont, Paris; Spaak P.H. (1969), *Combats inachevés*, vol. 2, p. 84-100, Bruxelles, Fayard.

plainly, and ultimately, a deserted statement without laying down any concrete capacity for the Community to facilitate or promote (concretely: by co-ordination or by financial means) regional objectives.

c) **Articles 80, 92-94 and 226**: allowing for particular and exceptional derogations of the rules laid down in the Treaty in favour of regional difficulties but always under Community control.

Concerning the domain of transport, the Commission would examine exceptions to the general prohibitions of support, or of protection, granted to specific undertakings, or specific industries, on the grounds of either national regional policy objectives or on the grounds of the needs of underdeveloped areas. That is, the Commission would examine both national price rates and conditions of transport, bearing in mind appropriate regional policy requirements and the needs of under-developed areas (article 80). An explicit particular reference was made (in article 82) for the derogation of the common transport rules for those national measures 'required in order to compensate for the economic disadvantages caused by the division of Germany' and of assistance to the 'economy of certain areas affected by that division'.

In a similar line, although advantages to specific beneficiaries were incompatible with the common market (article 92.1), particular aid to enterprises or particular industry sectors could be compatible with the common market under certain conditions (article 92.3 a) and 92.3.c)) and always subject to control procedures (article 93).

In the field of international and intra-Community trade, the Treaty provided as general rule: the establishment of a common external tariff -regarding third parties- and the elimination of duties and of quantitative restrictions -within the Community. Against this background, article 226 provided as a transitory measure, exceptional derogations to be able to hold imports on either sectoral or regional grounds. Thus, in the case of difficulty in a sector or in the case where the above rules were likely to provoke serious alterations in a given regional economic situation, the Commission could set exceptional conditions for the application of safeguard measures⁸.

Altogether, the object of the articles above are national regional (and sectoral) measures which can be authorised as exceptions and derogations of Treaty rules. But, how to understand the derogations of common rules for the protection of regional economies? They seem to convey the acceptable room for legitimate national policy priorities while remaining in the context of the common market and of a competition system as comprehensive as realistically possible. The allowance of regional derogations is circumstantial, conditional and surveyed -in their use or abuse- by the Commission. In other words, regional derogations involve a conditioned waiving, a circumstantial priority -not

⁷ See p. 82 of Hans von der Groeben (1985), *The European Community. Formative years*. Brussels. European Perspectives Series, Office for Official Publications of the European Communities.

supremacy *per se*- for national regional measures over competition and common market general rules. They provide for the proceeding and reconciliation of common objectives with sovereign national concerns via an appraisal of the invoked derogations at Community level. Indeed, on the one hand, the removal of barriers and obstacles could create or aggravate situations of regional disequilibria, which either reaching Community importance or not could entail a grave national economic or political impact. On the other hand, beyond the legitimacy of national measures for the protection of regional economies, the use of these regionally-aimed measures, and their effects on a parallel adequate functioning of the common market, made necessary a surveillance of their use.

The case of the Community control of state aids with regional purposes has been dealt with separately (in point 9). It is important to observe now, however, that all these tools were 'negative' in the sense that they did not automatically imply the use of these mechanisms of control as tools for conducting actual regional policy objectives. Notably, they were instruments of control in the form of procedures of appraisal, but the Treaty did not lay down their superseding into criteria, their development into objectives, their outgrowth into guidelines of an aid policy for the Community.

d) **Articles 39.2 and 49:** attaching regional aspects to sectoral policies.

Articles 39.2.a) and 42, on structural agricultural policy, allowed for the consideration of natural and structural disparities among the various agricultural regions at the time of elaboration of the CAP. Particularly, article 39.2 states:

In working out the common agricultural policy and the special methods for its application, account shall be taken of:

(a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions:

Equally, as regards the elaboration of a policy for free movement of labour, article 49.d) permits taking into account -'by the setting up of appropriate machinery'- the balance of supply and demand in the employment markets of some regions. So, both articles -rather than concerning the control of national regional measures as the ones just seen in c)- referred to Community policy objectives, notably, to the parallel consideration of regional development concerns at the time of the elaboration of Community policy in the fields of agriculture as well as in the pursuit of free movement of labour.

Now, if Article 39.2.a) states that, in the elaboration of the common agricultural policy, structural and natural differences ought to be taken into account, does that imply that the Treaty allowed for a regionalisation of agricultural policy -if by 'regionalisation of agricultural policy' it is meant the making of a differentiated common agricultural policy on the basis of diverse regional agricultural

⁰⁸ For instance, article 226 was invoked by Italy to allow protective national measures for the support of the Italian sulphur industry on regional grounds, namely, for the South of Italy.

and structural situations? How much does a common policy allow for specific and diverse situations? In other words, how can common and regional be reconciled if they seem in principle opposed in terms? No regional differentiation applied to pricing nor to common rules. The Treaty provided for a unique and single organisation of the agricultural markets of the members based on the removal of customs duties and quantitative restrictions to agricultural products and a geographically all encompassing price policy. Indeed, the regionalisation of CAP could never consist of fracturing the agricultural market. Rather, the provision for the consideration of diverse regional and structural conditions was envisaged in the establishment of the CAP objectives (39.2) via the establishment of funds (Guarantee and Guidance) and by the actual setting up of the conditions of operation of those funds. Indeed, the role of the funds is defined by the Treaty as a complement to market policy so that the common organisation of the markets can meet the objectives set up in article 39.1. So what did that 'account' that ought to be taken, that parallel 'consideration' exactly mean? A compensation? A policy differentiation? In general terms, such 'consideration' seems to mean that structural adaptations ought to bear in mind regional realities. In practice, the materialisation of that 'consideration' was left open, possibly allowing for the Community institutions to reach an agreement on its actual scope. Still, clearly, a consideration of regional realities does not imply an actual pursuit of the regional development of a region.

In fact in both fields -agricultural and social policy- the Treaty had foreseen the creation of financial means. Obviously, however, both the EAGGF or the ESF had a sectoral purpose or, in other words, their use was restrained to their specific sectoral policy targets. Still, the Commission was going to propose and eventually succeeded in adapting the modalities of the intervention of both the ESF and of the Guidance section of the EAGGF for operational regional development purposes while both Funds would still pursue their own sectoral targets (point 13.3, chapter III).

e) **Article 130:** financing of investment projects by the European Investment Bank (EIB).

The task of the EIB shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the common market in the interest of the Community. For this purpose the Bank shall, operating in a non-profit-making basis, grant loans and give guarantees which facilitate the financing of the following sectors of the economy:

- a) projects for developing less developed regions;
- b) projects for modernising or converting undertakings as for developing fresh activities called for by the progressive establishment of the common market where these projects are of such size or nature that they cannot be entirely financed by the various means available in the individual Member States;
- c) projects of common interest to several Member States which are of such size or nature that they cannot be entirely financed by the various means available in the individual Member States.

National governments -before 1957- used a variety of financial instruments to promote regional development: low interest loans, guarantees, interest rebates in already accorded loans, capital funds, state participation in the capital of enterprises, creation of development societies, etc.⁹. Indeed the banking system played in 1957 a crucial role in regional development tasks. In some countries banks were performing the actual selection of projects, notably as result of governments' demands -like in the FRG- that loans accorded by the treasury for development and reconversion purposes were guaranteed by a sound -in most cases regional- bank¹⁰. The setting up of a EIB which would support regional development actions was therefore not a novelty¹¹.

Within a wide choice of financial instruments the Treaty chose the granting of low interest loans and of guarantees. Interest rebates or guarantees offered, on the one hand, the advantage over capital funds of resources not being lost but able to be recovered eventually. But crucially, the choice for EIB granting loans and guarantees seems to imply that the selection of projects would be made primarily on the grounds of economic soundness, rather than on a policy which the Treaty had not really laid down any basis. The banking organisation would guarantee the economic viability of the projects financially assisted while the procedure for granting EIB resources allowed the Commission to chip in to give its opinion on the EIB financed projects. Notably, the procedure for deciding the granting of resources provided that the administrative Council had the power to decide on the granting of loans or guarantees subject to the Commission's opinion. In the case of a negative opinion by the Commission, the Administrative Council of the EIB could only proceed if unanimity was reached¹².

f) The Protocol on Italy¹³.

The Protocol on Italy laid down, and made of common interest, the attainment of the objectives pursued by an ongoing ten-year plan designed by the Italian authorities for the correction of structural disequilibrium. The Protocol also recommended the use of Community financial means - ESF and EIB- towards this purpose and empowered Community institutions to use all means and procedures under the Treaty to assist the Italian Government in its efforts to establish an equilibrium in the national economy, notably through aids to the Mezzogiorno¹⁴. The Protocol, ultimately, could be recalled by the Italian government as a waiver there where the application of the Treaty could lead

⁹ For an account of the national preferences on regional incentives see report of group III in Commission (1964) *Rapports de groupes d'experts sur la politique régionale dans la CEE*.

¹⁰ Against an argument on the excessive central role that the banking system played in regional development, it was argued that the responsibility of the choices did not rest uniquely on the banks, rather, a very particular encouraging role was performed by the local and regional authority who contacted businessmen -ultimately responsible for the choices of enterprise creation or enterprise location.

¹¹ The EIB statutes provided that EIB had legal personality and its members were the member states and resources were to be made up by national contributions. For the details on the workings and borrowing capacity of the Bank see *Protocole sur les Statuts de la Banque Européenne d'investissement*, Protocol annexed to the EEC Treaty.

¹² See article 19 and 21 of the Protocol on the Statutes of the EIB.

¹³ Protocol annexed to the EEC Treaty, *Protocole concernant l'Italie*.

¹⁴ Flockton (1970) *Op. cit.* p. 28-29.

to a dangerous situation of unemployment and of a deficit in the national balance of payments. In other words, the regional imbalances of Italy were going to be taken into consideration to an extent of waiving the application of Treaty rules, if necessary and so resolved by the Commission.

So, if the above were the most direct provisions relating to regional objectives for the EEC Treaty, what can we conclude? The Treaty mainly contained: 1. a concern for long term balanced expansion of the economies of its members (preamble); 2. a non-concrete task of promotion of harmonious development of economic activities (article 2); 3. derogations to Treaty rules for regional purposes (articles 80, 92-94, 226); 4. the possibility of attaching regional objectives to sectoral policies (39, 49) and 5. financial resources from the EIB. Yet, while the Treaty laid down -at its most- a weak regional ambition, at the same time, it implicitly enclosed -deliberately or not- various possible definitions of a regional objective for the Community.

Indeed, on the one hand, the Treaty did not do much more than state a general concern of balanced and harmonious development. Or, in other words, if one accepts -as a premise- the difference between stating vaguely an objective of harmonious development (in preamble or in article 2) and actually pursuing the development of particular regions which could be left out of the main flow of exchanges, one has to conclude that the EEC Treaty did not recognise a concrete and deliberate action of development to be pursued by the Community. Even though the Spaak Committee considered the threat of the opposite scenario¹⁵, and also various other public voices expressed their anxiety about the impact of the process of economic integration on the problem regions within each country and in the EEC in general (Vanhove 1980, p. 227-228), the Treaty signatories seemed to have believed that the functioning of the market would not pose a serious regional threat, nor that the economies of the Six would grow apart. Article 3, which listed the policies into which the Community would develop made no mention of a regional policy and, incidentally, the EEC Treaty did not define 'region' either -even though various policies put to use a regional framework of application: CAP, transport, competition, employment and labour formation¹⁶. Certainly also, one

¹⁵ Thus the Spaak report states on p. 18: 'The third condition that is important to recognise is that it is not true that, among regions unequally developed, a sudden putting in contact allows by itself the catch up in their delay of those less favoured ones. It is only if they are provided, by a deliberate policy, with the necessary infrastructure for their development, that they will benefit in full from the differences in labour costs or of a larger productivity of the investments. There resides the importance of regional development actions and of employment creation on the ground, the only one which could avoid a cumulative increase in the gap between the levels of production and the standards of living of the different regions'. Original French text in appendices. See also p. 77-78 of Spaak report.

¹⁶ It was in September 1959 that the Commission first placed on its agenda the definition of large socio-economic regions as an attempt to reach a more operational sectioning of the Community territory. The Commission aimed at obtaining a mapping of the Community territory whereby the borders of the policy units were identical for Community and national policy purposes arguing that as regional policy was increasingly becoming a synthesis of specific policies applied to a given territory, the dimensions of those units upon which national and Community interventions confined to ought to be -if at all possible- identical irrespective of the particular policies being applied. Avoiding a definition of the notion of region, the Commission defended a

ought to concede the fact that some financial means -the EIB- were available; yet, one also has to remember that, after all, the EIB was going to reward specific investments on a profitability basis since no actual provision for the spending into particular Community regional guidelines -and their elaboration- was made. Furthermore, where some Community instruments (sectoral means or procedures of control of derogations) could have served a regional objective, the Treaty simply neglected such potentiality. Concerning derogations to common rules (articles 80, 92-94, 226), although they conveyed the legitimacy of a national regional concern and a respect for national regional measures, their control by the Community was not conceived as a policy instrument. Equally, as regards sectoral policies, regional considerations seem rather to be understood as subsidiary and restricted to the pursuit of agricultural or social objectives (articles 39.2, 42). In sum, an unequipped concern to ensure the harmonious expansion of the economies of the member states, an ethereal and ambiguous task to promote a harmonious development of economic activities, and a dispersed and un-targeted collection of means are what the Treaty left to the Community institutions. Overall, either the signatories took a neo-classical stance by which both the establishment of a common market and the progressive approximation of economic policies would expectedly result in a development of economic activities in harmony at both regional level and among national economies¹⁷; or the signatories simply considered the solutions to regional problems a national assignment. In any case -or other- neither a provision for a deliberate Community action nor a concrete regional purpose was ever laid down in the Treaty.

However, alongside such weak regional ambition of the Treaty signatories, two more aspects ought to be noted, namely, the fact that the Treaty was, ultimately, equivocal about regional aspects while offering, at the same time, an effective range of foyers from where a regional dossier could be both forged and launched. Indeed, a number of possible significations of a regional objective seem to be either implicitly retained in the Treaty or potentially leading to it. Notably, first, in the preamble a rather global concern on a balanced expansion of the economies of the members is laid down which

regional mapping of the Community for pure operational purposes [see 'Essai de délimitation régionale' in Commission, *Documents de la Conférence sur les économies régionales* vol. II. p. 65-166; and also point 8.1 below)]. The delimitation drawn in 1961 was never used and, therefore, regional units retained their boundaries as relative to the policy area under consideration. For an appraisal of this exercise see Romus P. *Absence d'une définition communautaire de la région* p. 143-145 in VVAA (1971) *La politique régionale du Marché Commun*, Centre d'Études Européennes, Université catholique de Louvain, Éditions Vander. In 1969 the Commission defined region under an operational perspective too: 'Beyond the institutional, administrative and geographical limits which come to mind immediately, it is important to understand what accounts for the most basic realities of the region. It would appear that if the region is seen as an entity constituted by a group of communities which in varying degrees are closely linked by the effect of a number of factors determining location, this makes it possible to account both for the characteristic features of the traditional regions and for the changes they are undergoing. This approach, which is an operational one, brings out both the population element and the location factors. It immediately draws attention to the role played by the location factors'. See Commission, Note on regional Policy, chapter II. point 1.

¹⁷ As Vanhove summarises it, the neo-classical theory of international trade considered that the establishment of a common market would narrow down differences in 'per capita' income between countries because (a) free

would conform with the structural conceptualisation of a regional objective as emerging from the scenario of divergence of the late 1960s. Second, in article 2, the Treaty claimed a duty towards a harmonious development of economic activities on a regional base. Third, a sectoral conception of a regional objective could also be galvanised from article 39.2 and 42, whereby, in the pursuing of sectoral objectives -agricultural or social- either a link or a continuation into regional objectives could be explored. Fourth, the negative surveillance of regional incentives could lead to the definition of aid policy guidelines arising mainly from competition considerations. As it will be seen in the rest of this chapter, by 1968 these departure points above, even if clearly conveying alternative significations of a regional objective for the Community, were not theoretical but real. But before dealing with their expansion let us note some Treaty provisions which became instrumental to forge and launch the regional dossier.

7.2. *The Treaty possible channels for incorporating a fundamental regional objective*

Contrasting with both the weakness and the ambiguity in regard to a regional objective for the Community, the Treaty offered a number of different channels for enshrining a regional concern, namely, articles 155, 145 and 235.

g) The Commission's license to organise co-operation and to conceptualise at its own initiative:

Article 155.

In order to ensure the proper functioning and development of the common market, the Commission shall: (...)

- formulate recommendations or deliver opinions on matters dealt with in this Treaty, if it expressly so provides or if the Commission considers it necessary;

Article 155 granted the capacity for the Commission to start up -at its own initiative- the consideration of issues relating to the ensuring of a proper functioning and development of the common market when the Commission so considered it necessary. In practical terms and for our purposes, article 155 entailed a capacity to set up and initiate internally -and in co-operation with member states- the construction of specific Community views on regional issues and, subsequently, taking those positions to the Council.

Indeed, the Commission, at an early stage, started a search and an appraisal on where, how and in which terms various DGs were coming across regional policy related issues¹⁸. Thus, in September

markets in principle would lead to the equalisation of the factor prices and (b) because free movement of goods would be a substitute for free movement of factors. Vanhove and Klaassen (1980), *Op. cit.* p. 23.

¹⁸ See Commission, *Groupe de travail Inter-Directions Générales: Politique régionale, Note, Objet: Compte-rendu de la réunion n.1 du 16.9.59 au Bureau du Directeur Général II, Bruxelles 21 Septembre 1959* [II/2226/59], Commission, *Réunion des responsables nationaux des politiques régionales, Projet de compte rendu de la réunion n.1 du 25 septembre 1959, Bruxelles 6 Novembre 1959* [II/5038/59] and letters by Bobba and Marjolin of September 1959 in particular.

1959 DGII set up an Inter-services Group in order to collect the reactions of various DGs regarding the need for a regional approach to certain of their specific problems and to forge a common conception of regional policy in the Community (point 8.1).

The Commission reported to consider such capacity to initiate as a duty¹⁹, an obligation to fulfil the responsibilities laid down on the Treaty -no matter how abstractly asserted. Thus in 1959 the Commission felt that the Preamble and article 2 put it under the *obligation* to consider differences of economic development among regions in view of ensuring an harmonious development and unhampered growth of the economies of the member states²⁰. Certainly the general responsibility laid down in the preamble and in article 2 did not convey a specific and deliberate Community task and what the Commission first undertook was a duty of formulation, of definition of actual possible regional objectives to be undertaken by the Community.

But beyond the construction stage, the obligation towards the functioning and development of the common market involved also the capacity to bring up directly and unmediated its completed views to the Council's attention. The Commission brought up a specific conceptualisation of a regional dossier to the Council table in the I Barre Plan of 12 February 1969²¹.

h) A task of co-ordination of economic policies: **article 145**.

In the field of general economic policy the Treaty restricted the scope of intervention of Community institutions to merely a task of co-ordination.

- Article 3 g):

For the purposes set out in Article 2, the activities of the Community shall include, as provided in the Treaty and in accordance with the timetable set out therein [...]

(g) the application of procedures by which the economic policy of member States can be co-ordinated and disequilibria in their balances of payments remedied;

¹⁹ The 'First Communication by the Commission on regional policy' of 1965 justified the taking up of regional considerations in the following terms: 'The Commission, by virtue of article 155, has the obligation to be concerned about the effects of national and common policies on the development of economic activities in the different regions and to undertake the necessary initiatives so that a concerted action of regional and national institutions on the one hand, and of the Community institutions on the other, ensures the harmonious development of the regions of the Community'. Commission, *Première Communication de la Commission sur la politique régionale dans la Communauté européenne*, p. 1 [II/SEC (65) 1170 final]. See original French text in appendices.

²⁰ Notably: 'M. Bobba (director general of DGII at the time) ouvre la séance (of the 1st meeting) en rappelant la disposition contenue dans le préambule du Traité, de réduction des écarts de développement entre les régions de la Communauté et donc d'obligations de la part de la Commission de propositions sur ce problème à faire aux États membres, quitte à en préciser les modalités puisque celles-ci ne sont pas inscrites dans le Traité'. See p. 1 of Commission, *Réunion des responsables nationaux des politiques régionales, Projet de compte rendu de la réunion n.1 du 25 septembre 1959, Bruxelles 6 Novembre 1959* [II/5038/59].

²¹ The I Barre Plan noted the Commission's obligations in the following terms: 'The Commission, which the Treaty entrusts with responsibilities for the Community, would be failing to its duty if it did not inform the Council of its concern and submit its opinions on problems facing the Community in all fields relating to the life of the Community'. *Bulletin of the EECC* 1969, Supplement 3, p. 4.

- Article 6.1:

Member States shall, in close co-operation with the institutions of the Community, co-ordinate their respective economic policies to the extent necessary to attain the objectives of this Treaty.

- Article 145:

To ensure that the objectives set out in this Treaty are attained, the Council shall, in accordance with the provisions of this Treaty:

- ensure co-ordination of general economic policies of the Member States;
- have power to take decisions

Certainly, these articles concerning the Community capacity to co-ordinate -in the context of the Council- national economic policy options for the sake of the achievement of the Treaty objectives do, by no means, allow us to conclude that the drafters of the Treaty implicitly envisaged an assignment for Community institutions to co-ordinate regional policies. Indeed, article 145 does not lay down a general power of decision over economic policies; rather, the actual domains of economic policy where such co-ordination applied were explicitly to be attributed in a case by case basis.

In fact, although by the time of the signing of the Treaty regional policy in most of the member states largely responded to a rationale of assistance and social concerns, in the late 1960s and early 1970s regional policy grew into becoming a part of general economic policy. It was not, broadly speaking, until the late 1950s -in a couple of cases- and until the 1960s -in the rest of the countries- that regional policy started developing into a more complex economic response to nation-wide revenue and population imbalances²², to finally acquire an intrinsically integrated or co-ordinated nature which was going to characterise its interventions in the following years. Indeed, and the Commission itself stressed it²³, the conception of regional policy and of its public task evolved hastily -and asymmetrically- in the EEC members in the late 1950s and 1960s. The Netherlands and Italy were the first countries in 1950 to make the first steps towards a regional policy whereas Belgium and

²² The Netherlands devised for the first time long term co-ordinated plans in 1958. Yet possibly, the most firm move was taken by France who in 1958 reformulated the task of regional policy as one of pursuing the development of regional economies as an element of national economic development. By 1965, French regional policy had become systematic, concentrated, co-ordinated -vertically and horizontally- and part of national programming. Throughout successive reforms and the regionalisation of the Plan regional policy became increasingly a constituent part of a national economic policy for growth. Elsewhere, in Germany, up to 1956 regional policy consisted of remedying urgent situations. Corresponding to the gradual achievement of full employment, criteria for regional type interventions moved from social objectives to a reinforcement of the economic potential of the weakest areas. Germany was always suspicious to economic development programming and by 1965 it had developed a poor system of vertical co-ordination. Italy did not start its medium and long term plans with vertical and horizontal co-ordination in a national perspective till the 1966-70 Plan. Finally, regional policy in Belgium was not launched till 1959 and Luxembourg's till 1962. See a recap of national regional conceptions in Marjolin's final summary report in p.60 vol. II of Commission, *Conférence sur les économies régionales*, 6-8 December 1961 or in *Parlement Européen, 'La politique régionale dans les états membres de la CEE'*, janvier 1966 [PE 15.044].

²³ The Commission scans through the trends towards which regional policy is evolving in each of the Six in the Appendix I to the Note on regional Policy of 1969.

Luxembourg did not adopt their first regional legislation till 1959 and 1962 respectively. It is not the intention of this thesis to enter into a thorough analysis of the nature of domestic regional policies in 1957 and their evolution in the following decades; however, what it is relevant to point out is that at the time of the adoption of the EEC Treaty, regional policy -where it existed- was a patchy policy of public intervention targeting either urgent social objectives or relieving and rescuing severe situations by often *ad hoc* actions directed simply to the severely hit areas. In other words, regional policy in the Six originally operated independently of the formulation and organisation of policies for national economic expansion, independent of policies for national growth.

However, throughout the 1960s especially, domestic policies targeting geographical imbalances of revenue became gradually an aspect of national economic policy. Even then, this development in the conception of regional actions did not consolidate until, at least, 1965 and, still, it did so at different paces in each country. According to a Commission judgement of 1969, broadly speaking, national regional policies consisted of independent measures, isolated in relation to other complementary policy areas, and inconsistent with national economic policy guidelines -even contradictory to policies for growth²⁴. In fact, there is evidence of this judgement by the Commission already in 1961²⁵. In any case, once regional policy started embarking on the distribution of economic activities across the country -not necessarily in the less favoured regions only- and as part of an strategy of national economic development, regional policy measures started to fit into wider national economic policy perspectives. Thus regional policy started to be understood as an aspect of a policy for national growth i.e. as 'part and parcel of the range of measures employed by governments to manipulate the level and rate of growth of demand and to influence the organisation and exploitation of resources so as to attain a rapid growth of national output'²⁶.

In sum, as regional policy became an aspect of economic policy, it also would become susceptible to become the object of Community co-ordination to the extent necessary for the attainment of the objectives of the Treaty. As seen before (point 3, chapter I), to a neo-classical approach, the correction of regional imbalances ought to purely be addressed by economic policy co-ordination i.e. by a common examination and if possible a co-ordination of national regional policies.

²⁴ See the Commission's account of the evolution of the conception of regional policy in each of the Six in Annex I to the *Note sur la politique régionale* [COM(69) 950 Annexes]. The Commission fingers at problems of co-ordination between industrial policy and infrastructure policy in Germany (p. 14), to problems of co-ordination between regional policy and national industrial policy as well as to problems of integration of programmes and measures of the regions with national plans in Italy (p. 34 and 40 respectively), to problems of dispersion of the means used in Belgium (p. 55), etc.

²⁵ Marjolin states in 1961: 'Some points have particularly struck me. The first (...). The second is the tendency of regional policy to become everywhere an integrand of national economic policy, while up to now regional policy was rather a type of correction that one applied to national economic policies once the latter had produced their centralisation effects. Peripheral regions losing their population, governments were led to act: a regional policy was elaborated, distinct, different, isolated of national economic policy'. See Commission, *Conférence sur les économies régionales*, vol. II, p. 60. See original French text in Appendix.

i) **Article 235:** the expansion of Community competence.

If action by the Community should prove necessary to attain, in the course of the operation of the market, one of the objectives of the Community and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the Assembly, take the appropriate measures.

In other words, article 235 provides for the Council to adopt appropriate measures in order to achieve objectives -of the Community- in cases where the Treaty did not provide the necessary powers of action. Thus, article 235 allows for the extension of Community powers while avoiding the recourse to an intergovernmental convening should action arise as necessary. It concedes to the Commission the capacity to make concrete proposals to the Council for an expansion of powers. Although *a priori* this provision seems to grant to the Commission a colossal power of initiative, as a matter of fact, and particularly since 1972, article 235 was successful there where this article was used to follow suit or implement agreements previously struck at Summit level -regional policy being one of these cases²⁷.

Regarding the invocation and operation of article 235, various conditions order its application (Tizzano: 1981)²⁸: (1) the attainment of one of the 'objectives' of the Community -understood as those referred to in article 2, but also including new developments from the original objectives such as EMU; in which case, article 235 is understood to require that the innovation proposed is actually and indisputably linked to one of the Treaty's objectives. (2) Article 235 is restricted to proposals concerning 'the operation of the common market'. In other words, proposed new measures are restricted solely to the cases where there is a clear functional connection between the new measures to be introduced and the actual attainment of the common market. However, as the Community evolved this restriction has been extended to mean the Treaty itself i.e. free movement and the common policies intended by the Treaty. (3) Article 235 requires that a necessity arises for new powers: such necessity being ultimately confirmed by a Council decision or a Summit conclusion. (4) There ought to be an absence of provisions in the Treaty for the necessary powers. And a final condition (5) the proposed measures should be 'appropriate', that is, once the action has been judged necessary in order to attain one of the objectives of the Treaty, a subsequent step has to be met consisting of the consideration by the Council on how appropriate or proportional the measures proposed by the Commission are.

²⁶ See introduction to Allen K. & M.C. Maclennan (1970) *Regional problems and policies in Italy and France*, London, George Allen and Unwin Ltd.

²⁷ For the institutional consequences of an resort to article 235 which became common from the Paris Summit of 1972 onwards, see Tizzano, 'The Powers of the Community', p. 51.

²⁸ See Tizzano, 'The Powers of the Community', p. 50-60 in VVAA (1981), *Thirty Years of Community law*, Commission, The European Perspectives Series.

Strictly regarding the gain of a Community competence on regional policy, the Commission took recourse to article 235 in order to submit to the Council proposals for a regional competence, namely for both the 1969 and 1973 proposals -both dealt with in the following chapter. The 1969 proposal argued that article 2 had given the Community the mission to promote a harmonious development of economic activities while the Treaty had not foreseen the required power of action to this effect and while the expansion of Community powers was necessary in order to promote actions which had become indispensable given the necessities and the implications of the establishment of the common market and of the progressive approximation of the economic policies of the member states²⁹. In 1973 however, the situation was much simpler: the Paris Summit of October 1972 had mandated the Commission to submit proposals for both the co-ordination of national regional policies and for the creation of a ERDF. In other words, the decision on the necessity to extend Community intervention into the regional field had already been made by the Heads of state or government. The 1973 proposals plainly referred in the motives to the mandate of the Summit and to the fact that the Treaty had not provided the necessary powers.

To recapitulate, the Treaty had, on the one hand, left the Community with no concrete powers to undertake regional policy objectives; but on the other hand, the Treaty provisions had left a range of routes from where to take up a regional dimension (from an agenda towards balanced development, from various common policies, from the control of regional derogations) as well as various instruments from where to build up and launch concrete proposals (Commission's initiative, co-ordinate regional economic policies, resort to article 235). It was in this imprecise and open field where the Commission's attitude, power of initiative and of formulation of a regional dimension for the common market and last, but not least, its managerial command of a regional policy dossier proved decisive.

B) The making of a regional policy dossier: the nature and influence of the regional interests across the Commission's Directorate Generals

As revealed in chapter I, by 1968 the Commission picked up and modelled a fundamental regional objective understood in global structural terms in the context of economic divergence among the Six. This conceptualisation put forward by the Directorate General for economic and financial affairs (DGII) was going to remain the fundamental conceptualisation of a regional objective for the Community. However, such conceptualisation had not been the first attempt by the Commission to

²⁹ However, according to M. Zuleeg the limitation of the resort to article 235 to measures aiming at the realisation of one of the objectives of the Treaty prevented the use of article 235 for a regional policy since the latter was not a Treaty aim. According to Zuleeg, the 1969 proposal refers to article 235 not for normative acts but for decisions concerning aids. See p. 38 of *Les répartitions de compétences entre la Communauté et les États Membres* in *La Communauté et ses États Membres, Actes du VIème Colloque de l'Institut d'Études Juridiques Européennes, Liège 1973*.

remedy the substantial absence of regional considerations in the Treaty nor the only possible one. Before 1968 the day to day running of various policy areas had come up and encountered regional aspects. By 1966 the Directorate General for Competition (DGIV) was inspecting possible guidelines on regional aid policy while also the Directorate General for Agriculture (DGVI) was developing an interest for a regional dimension of agricultural policy -for the reform of agricultural structures in priority regions was calling for measures other than strictly agricultural. In fact, other Directorate Generals (DGs) -transport, social policy or internal market- even if touching upon regional issues, did not observably make of their regional dimensions a strong claim on a regional objective. Mainly DGII, DGIV and DGVI were the directorates leading and bringing regional considerations up to the attention of both the Commission's college and to the Council. Finally, in 1968 a new DG was established to take up specifically on regional issues. The directorate general for regional policies followed up mainly along the line of the path opened by DGII. The making of a regional dossier was, as a matter of fact, going to implicate various DGs and, crucially, revolve around alternative conceptualisations. Let us see the nature of the regional dimension of each of the four above-mentioned DGs and the role of each of them in the building of a Community regional objective.

8. The active internal and external search for a regional conception and DGII's structural conceptualisation (1959-1970)

By 1968 the Commission was well experienced and aware of diverse interdepartmental interests on a regional agenda. Such awareness had emerged from a task on introspection started off in 1959, under the direction of DGII, and with the aim of defining an overall conception of regional policy for the Community. At least one reason for such search seems to have been a perceived need to cover a gap in the Treaty, namely, a gap resulting from the fact that the Treaty made explicit references to a regional dimension and to a regional objective in various places, and yet, it left opened, undetermined, a concrete task to be performed by the Community institutions. Indeed, from the earliest days a regional task for the Community was not an unequivocal dossier and through the 1960s DGII performed a task of leadership and consensus building both within the Commission and externally with national representatives and the other European Communities. However, by 1968, and beyond the regional dimensions of various sectoral policies, DGII would define a substantial regional objective for the Community.

8.1. The first internal and external activism: the search for an overall conception of regional policy (1959-1965)

The very first initiatives within the EEC Commission were launched in 1959 by vice-president Marjolin who, from the basis of his personal authority, requested the agreement of the Commission's College to launch two parallel types of action on the regional domain. One type of action consisted of a task of internal co-ordination among all DGs with an interest in regional aspects -within their

respective policy fields. A second initiative was one of co-operation among governments which would target the search and the sussing of national reactions for an eventual possible configuration of a definite regional responsibility for the Community³⁰. Often literature has identified the origins of the enterprising attitude of the Commission on a regional dossier in the latter i.e. on the setting up of the group of national regional policy representatives under the presidency of Robert Marjolin, for this was the first form of co-operation on the regional domain organised by the Commission with national officials; but, the parallel work of interdepartmental policy building -started also in 1959 and led by DGII as well- and which must have provided the first evidence of the various and alternative regional interests emerging from various DGs, is often not raised.

Thus, on 9 September 1959 the College of Commissioners, after being presented with a 'Communication on the problems of regional policy'³¹ by Marjolin, agreed to set up both an internal Group Inter-services chaired by DGII's director general with the task to study the objectives of the regional policy of the Community, the means of action in this field and the possible initiatives to launch and, second, a group composed of high ranking civil servants responsible nationally for regional policy -hereafter referred as the 1959 group- under the presidency and leadership of Marjolin itself and the secretariat and services of DGII. Up to 1965, DGII carried out through these two channels a policy of gathering expertise and of search of support and consensus building among national officials on minimum common denominators. By 1965 the results of this initial campaign -launched back in 1959- gave the first results in two forms. On the one hand, the Commission released its 'First Communication to the Council on regional policy in the Community' which put forward the overall conception resulting from the successive exercises of co-operation undertaken in this period and, second and more importantly, the Commission had gained the confidence to stand independently before the Council on a regional agenda in the context of the adoption of the I MTEP Programme.

From the very beginning the objective of the creation of the 1959 Group was the preparation of an overall conception of regional policy in the Community. The members of the 1959 Group were national policy makers involved in the actual formulation of national regional policies depicting -rather than directly representing- national interests³². Indeed, given the lack of concrete regional provisions in the Treaty, the convening of national representatives on a matter outside the Communities' jurisdiction was made under the name of the vice-president and was presented as responding to an incipient and experimental co-operation exercise.

³⁰ See Commission, *Extrait du Procès verbal de la 72ème réunion de la Commission le 9 Septembre 1959. Problèmes de politique régionale, Bruxelles 17 Septembre 1959.*

³¹ This Communication is based on preliminary work: *Les régions dans la CEE* [COM(59) 113] and *Les politiques régionales des États membres de la CEE* [COM(59) 114].

³² They were: W. Langer (Germany), P. Massé (France), Massaccesi (Italy), Detroz (Belgium), Van Os (Netherlands), P. Camy (Luxembourg). The first two officials were also members of the Medium-term economic policy Committee.

On 9 September 1959 the Commission adopted the agenda of work on regional policy proposed by Marjolin which included the following entries: a delimitation of regions in the EEC, a search for comparable statistics, a comparative study of national regional policies and a study of the regional implications of common policies. The first product of the 1959 Group was an 'Essay of regional delimitation of the EEC'³³ which although it was sold as a trial run it was, nonetheless, an attempt to map out the EEC space from the point of view of regional economies. The delimitation aimed at agreeing on objective criteria and defining the geographical contours for the delimitation of operational regional units - 'socio-economic regions'- upon which both national and Community policies would apply³⁴. The Essay was the first effort to establish comparable regional statistics as well as a mapping of regional spaces beyond national mapping. Second, it offered a first typology of regional problems at Community level, and third, it provided a Community perception of the unbalanced distribution of economic activities and economic performance. But the delimitation was never put into use for it raised strong reservations in the home countries.

Still, while the essay was being discussed by the 1959 Group, a new initiative was proposed³⁵: the organisation of a 'Conference on regional economies' in December 1961. Marjolin justified this Conference as an effort to gather expertise in the field, build up knowledge about common grounds and transfer experience among participants, namely, national and regional representatives as well as non-governmental individuals and the Commission. The Conference made the core of the discussions from the confrontation of national cases and experiences on two main types of problems: agricultural regions and problems in already industrialised regions.

The debates opened up in the Conference were purposely followed up with the creation in December 1962 of three *ad hoc* groups of experts with the intention to release in the shortest term a document putting forward an overall conception of regional policy in the Community³⁶. The three *ad hoc* groups gathering governmental experts on regional policy were set up under Marjolin's presidency and an agenda of work designed by the Commission. Group 1 was charged to study on the case of regions to develop, Group 2 concentrated on the regions already industrialised and Group 3 dealt with an appreciation of the efficacy of various advantages granted in the member states with the aim of favouring regional development. The three Groups were to prepare three reports. These reports were approved by the 1959 Group and, on their basis, the Commission draw up a Communication addressed to the Council.

³³ Commission EEC, *Essai de délimitation régionale de la Communauté économique européenne*, Bruxelles 26 Juin 1961, [II/747/1/61].

³⁴ See p. 1-2 of Commission, *Document réservé à l'attention de Ms. Marjolin et Bobba, Objet: Décisions auxquelles il serait désirable d'aboutir lors de la Réunion des Responsables Nationaux des politiques régionales*, Bruxelles 10 Septembre 1959 [II/10/BB/2122].

³⁵ Commission, *Groupe de travail des experts nationaux des politiques régionales, Projet de compte rendu de la réunion no.5 du 7 Février 1961, Objet: Délimitation régionale*, Bruxelles [II/2129/61].

The 1965 Communication³⁷ explored the objectives, the methods and the means of regional policy within the Community and concluded the need for co-operation and concerted action -among all levels of government including the Community- on two manners: in the undertaking of specific regional actions and on a better orientation of economic policies towards regional objectives. The 1965 Communication understood regional policy first of all as an aspect of economic policy, that is, rather than a juxtaposition of economic policy objectives regional policy ought to have a structural dimension permeating many economic policy fields. Marjolin -who had prepared the Communication- made a number of recommendations addressed to member states, put forward a programme of action for the Commission and suggested some procedural formulae. The recommendations to member states -drawn from the three reports of the experts of 1964- included: the establishment of programmes of orientation and socio-economic studies, encouraging the participation of regional authorities, learning lessons about the efficiency of means deployed by national authorities, etc. The Commission committed itself to work to facilitate the devising of regional programmes and their confrontation at Community level and declared its intention to use the powers at its hand to pursue a co-ordination of sectoral policies touching upon regional aspects including financial resources. On the organisational aspects DGII proposed procedures of co-operation at the level of medium term economic policy, the continuation of the 1959 Group, gathering opinions from experts and regional authorities, etc.

But the Commission saw and wanted to consider the 1965 Communication as a 'first communication' and tried to avoid excessive publicity on its release. The Commission decided to transmit the 1965 Communication -as a 'working paper'- first to the Medium-term economic policy Committee and later -and depending on the reaction of the Medium-term economic policy Committee- to the Council for information³⁸. Finally, the 1965 Communication was submitted to the Council for information but it had a rather unfortunate timing: both the empty-chair policy adopted by the French delegation in the second half of 1965 and also the fact that the 1965 Communication saw the light when the preparation of a I MTEP Programme was already underway, made the 1965 Communication a year after its release -in June 1966 - if not obsolete, certainly superseded by the regional chapter in the I MTEP Programme (point 8.2)³⁹.

³⁶ See letter of 19 February 1965 by Bobba -director general of DGII- to Mr. Vink -director general of the ECSC 'Problèmes du travail, assainissement et reconversion' [II/C2/AC/gv/16/II].

³⁷ That is, Commission, *Première Communication de la Commission sur la politique régionale dans la Communauté européenne, Bruxelles 11 mai 1965* [II/SEC (65) 1170 final].

³⁸ Indeed, the Commission resolved that if the Medium-term economic policy Committee made notable reserves to the 1965 Communication then the Commission would review on whether to proceed with an official communication both to the Council and to the European Parliament. See Commission, *Extrait du Procès verbal de la 317ème réunion de la Commission le 11 mai 1965*, point VIII.

³⁹ See Conseil, *Comité des Représentants Permanents Projet de compte rendu sommaire de la 388ème réunion tenue à Bruxelles les 11 et 12 juillet 1966, Bruxelles 20 Juillet 1966* [899/66 (RP/CRS 24)].

All these early stages of devising a common conception of regional policy in the Community were not solely the result of co-operation among national representatives, but also, the effect of an exercise of internal examination. Indeed, apart from the above more visible acts of co-operation among national representatives, during this period the Commission was also engaged in an indoors search for possible policy channels and for attaining a degree of consistency in actions bearing a regional incidence across the EEC directorates and across the three Communities. The Group Inter-services gathered under DGII's presidency the DGs for agriculture, competition, social affairs (DGV), transports (DGVII) and internal market (DGIII). The Group Inter-services confronted the regional dimensions of each of the above policy areas and sought to offer the necessary consultation and co-ordination among the dispersed nature of regional concerns of the various DGs.

On the other hand, the attempt of working in an integrated, co-ordinated manner among the services of the three Communities was undertaken by simple measures. Regular contacts between the 1959 Group and the Euratom and High Authority DGs were organised, co-ordination in relation to the undertaking of studies was deliberately pursued and mixed working groups were established⁴⁰. By linking and co-ordinating the EEC and Euratom Commissions and the High Authority of the ECSC - plus the EIB-, DGII was aiming at performing a role of co-ordinator towards a united Community position on regional issues⁴¹.

Clearly from the early days Marjolin saw the role of the Commission as a 'catalyst' in the development of a regional competence for the Community⁴² while DGII assumed both the instigation and the management towards the construction of a regional policy dossier. In the form of internal and external co-operation and interdepartmental co-ordination, DGII provided the political drive which gave the first results by 1965. Namely, from this stage onwards, the Commission as a whole had gained by itself an own stance on regional policy, a Community perspective of regional issues. Indeed, the first evidence that DGII had superseded the initial searches for a consistent conception among DGs and had acquired a degree of confidence and self-assurance appeared in April 1966.

⁴⁰ For instance the Common working Group of industrial reconversion of mining regions who started meeting in early 1961 or the 'Groupe des problèmes de l'économie générale'.

⁴¹ Concerning the Euratom DGII of the EEC Commission kept in regular contact with the Euratom's DG for Economy and industry. So what were the regional dimensions of the Euratom? By 1959 regional problems did not present for the Euratom Commission a very defined interest for the nuclear industry was in a pre-development stage. By 1965 however, as this situation changed totally and nuclear installations spread across Europe, the Commission's Euratom became more interested in regional policy issues in a very defined field, namely, to determine the eventual incidence of the location of nuclear industry on regional development. See letter of 1.7.1965 by B.R von Geldern -director general of Economy and Industry at the Euratom Commission- to F. Bobba -DGII's director general. However, The collaboration of DGII with the High Authority was stronger than with the Euratom's Commission, particularly with the DG 'P.T.A.R' (*Problèmes du Travail, Assainissement et Reconversions*) and DG Economy-energy

⁴² Indeed 'catalyst' is the word used by Marjolin at the first meeting of the 1959 group when offering a role for the Commission, notably, the Commission *pourrait jouer un rôle de catalyseur, afin de dégager progressivement une vue commune des problèmes, même si la solution de ceux-ci appartient aux pays membres*. See p. 2 of Commission, *Réunion des responsables nationaux des politiques régionales, Projet de compte rendu de la réunion n.1 du 25 septembre 1959, Bruxelles 6 Novembre 1959* [III/5038/59]

8.2. *The first independent standing: April 1966*

In April 1966, in the context of the adoption of the I Medium term economic policy Programme, DGII made its first independent stand pressing in favour of a regional responsibility for the Community. Concretely, DGII proposed to the Council an engagement of principle for a task of co-ordination to be performed by the Community on national regional policies.

Indeed, the Commission enjoyed -by the Council decision of 15 April 1964⁴³- various chances of influencing the contents of Medium term economic policy Programmes. One of them concerned the capacity to propose amendments to the draft text of the Programme prepared by the Medium-term economic policy Committee before being examined and adopted by the Council⁴⁴. So, in March 1966 the Medium-term economic policy Committee adopted the preliminary draft of the I MTEP Programme. From the authority so conferred to the Commission by the Council decision of 15 April 1964, the Commission agreed overall with the preliminary draft of the I MTEP Programme as drafted by the Medium-term economic policy Committee (even though Marjolin certainly pointed out some deficiencies as regards the elaboration of the economic perspectives and the subsequent economic policy priorities) but the Commission departed resolutely from the Medium-term economic policy Committee in one aspect: regional policy. Concrete amendments -three in total- were put forward by the Commission on chapter VI -the chapter on regional policy⁴⁵.

By 1966 DGII understood regional imbalances in similar terms to the structural conceptualisation that two years later the I Barre Plan would put forward. The difference with the Barre Plan resided, however, in understanding regional action not so much as a contribution to the convergence of economic evolutions, but as a contribution to balanced expansion and long lasting growth levels across the Community i.e. as a part and parcel of general economic development strategies. Indeed, incontestable evidence of the divergent evolution of the economies of the Six did not surface till the late 1960s. For DGII, insufficient regional and sectoral integration and inflationary were prone to disrupt the economic expansion attained in the 1960s and its permanence. That is -the Commission argued-, those high levels of growth could not be maintained unless a positive and deliberate effort was made to harvest a growth of quality i.e. one resulting from the tackling of tardy productivity improvements in various regions and sectors across the common market. All in all, the elaboration and the undertaking in common of a set of measures to ensure the integration and adaptation of regional economies appeared as a requirement for high and sustained growth.

⁴³ That is, the decision concerning the creation of a Medium-term economic policy Committee which also laid down the procedure for the adoption of medium term economic policy programmes. *Décision du Conseil du 15 Avril 1964 créant un comité de politique économique à moyen terme (64/247/CEE)*, JO 1031/64 du 22.4.64.

⁴⁴ See article 2 of the Council decision of 15 April 1964 where the procedure for the adoption of medium term economic policy programmes is laid down.

⁴⁵ See particularly p.2 of Commission, *Projet de programme de politique économique à moyen terme (1966-1970)*, Bruxelles 29 Avril 1966 [III/G(66) 186 rev.] and Conseil, *Extrait du procès-verbal de la 202ème session du Conseil CEE tenue à Bruxelles le 20 décembre 1966* [R/1527/66 (MC/PV/R 13)].

So, which were those amendments submitted by the Commission to the text of the Medium-term economic policy Committee? Three amendments were proposed and these amendments, for their political character, were submitted under the personal authority of Marjolin in the form of a Communication accompanying the transmission of the preliminary draft of I MTEP Programme of the Medium-term economic policy Committee to the Council. The first amendment aimed at making the Council make an engagement of principle on the co-ordination of national regional policies at Community level. Concretely, where the preliminary draft stated that national policies ought to be confronted (i.e. compared or examined in common) and co-ordinated in so far as possible, the Commission suggested replacing the notion of ‘confrontation’ as just defined with an unequivocal engagement for close co-ordination⁴⁶. Marjolin argued that this first amendment was directed towards providing certainty on the actual meaning of co-ordination:

The Commission suggests, to start with, that while the Committee (i.e. Medium-term economic policy Committee) foresees a confrontation of regional policies and, if possible a co-ordination, the term co-ordination could be used unequivocally. The latter rests on various provisions of the Treaty, particularly article 3 g), 105, 145 for which member states engage to co-ordinate their economic policies and consequently, their regional policies, if one admits -as is normally the case- that regional policy is an economic policy⁴⁷.

The second type of amendment concerned the concrete operation of such proposed responsibility of close co-ordination. The Medium-term economic policy Committee had stated in the preliminary draft that ‘it was desirable that regional policies are confronted and harmonised at Community level’. Instead, Marjolin was proposing to actually confront and harmonise, not the regional policies, but regional programmes. The third amendment, less (directly) important for our exposition, suggested by the Commission consisted of the insertion of a last paragraph to the regional chapter which tried to involve regional authorities in both the consultation between member states and the Commission on both studies and programmes for some regions and in the co-ordination of regional policy measures. Marjolin pointed out that the Commission had no intention to address itself directly to sub-national representatives but to those representatives appointed by national governments for that purpose⁴⁸.

The Council’s reaction to the three proposed amendments was immediate and categorical: the amendments were ruled out altogether in one blow and without discussion at the Coreper session of 1

⁴⁶ So, the text (first sentence of point 9 chapter VI) would no longer read as an intention to make national regional policies *l’objet d’une confrontation, et si possible, d’une coordination au niveau communautaire* as the Medium-term economic policy Committee suggested but rather would state that national regional policies would be *l’objet d’une coordination étroite au niveau communautaire*.

⁴⁷ Conseil, *Extrait du procès-verbal de la 202ème session du Conseil CEE tenue à Bruxelles le 20 décembre 1966* [R/1527/66 (MC/PY/P/R1)]. Original French text in appendix.

⁴⁸ See page 59 of Conseil, *Extrait du procès-verbal de la 202ème session du Conseil CEE tenue à Bruxelles le 20 décembre 1966* [R/1527/66 (MC/PV/R13)].

December 1966⁴⁹. Concerning the close co-ordination of regional policies no delegation was ready to replace the word 'confrontation' by the words 'close co-ordination'. In fact, the French, Belgian and Dutch delegations particularly pointed out that regional policy remained the sole competence of member states. The second amendment -to operate the co-ordination of regional policies by a co-ordination of regional programmes- was refused by five delegations, while the Italian delegation declared that it could have accepted it. The third amendment to make the representatives of the concerned regions participate -whenever suitable- in the consultations between member states and the Community was emphatically rejected by all delegations.

Clearly, by chopping off DGII's amendments the Council refused any commitment to co-ordinate national regional policies or development programmes. But this episode of the adoption of the I MTEP Programme shows that although DGII was unsuccessful, clearly the amendments proposed by DGII had a political character and were understood by all parties as openly departing from the Medium-term economic policy Committee and attempting to alter political choices made by national representatives in the preliminary draft of the Programme⁵⁰. The success of the organisation and the instigation pursued by the Commission during this trial period is questioned by some (Allen and MacLennan 1970) for it did not manage to attain a Community-accepted view on regional objectives. Certainly, the categorical refusal of national governments to the Commission's amendments is a proof of the failure of the Commission to gain an acceptance by governments on regional issues. Nonetheless, from the perspective of the construction of a regional objective for the Community, and the role of the Commission in that process, it is meaningful to point out that by being behind all initiatives in the field of regional policies during this period, namely, acting as policy organiser (internally), as policy instigator (externally towards national policy makers and also towards an organisation of actions across the three Communities: ECSC, EEC, Euratom) DGII did develop an independent conceptualisation of regional objectives. The events of April 1966 were the first evidence of success in developing independent policy formulations in the domain of regional policy.

8.3. The raising of a regional concern in the context of the preparation of the III Medium term economic policy Programme (1968-1969)

As seen just above, the independent stance that DGII had started to formulate during the period 1959-1966 was, indeed, unsuccessful in the sense that DGII did not manage to rally the support of

⁴⁹ Commission CEE, *Secrétariat exécutif, Note à l'attention des MM les membres de la Commission, Objet: Réunion du Comité des Représentants permanents du 1er décembre 1966, Bruxelles 3 Décembre 1966 SEC(66) 3789*

⁵⁰ Thus the secretary executive introduced the first draft of the communication written by Marjolin as follows: *Le présent document, en raison de son caractère politique, est présenté sous l'autorité personnelle de M. Marjolin. Celui-ci a assuré les liaisons convenables avec les membres de la Commission qui participent aux travaux du Comité pour la politique économique à moyen terme. Sec: Commission, Secrétariat exécutif du DGII, Premier Programme de politique économique à moyen terme (Projet d'une recommandation de la Commission au Conseil), Bruxelles 22 Avril 1966, [II/G(66) 186].*

governments. By 1968 however, this situation changed. Managing and administrating the regional policy dossier, DGII brought up and proposed again to the Council to consider Community action in the field of regional structures, this time within the context of the preparation of the III MTEP Programme. Thus, in this exposition of the role that DGII had performed as policy formulator since 1959, we have come to 1968 to meet the scenario of economic divergence and the structural conception of a substantial regional objective for the Community as understood in the I Barre Plan - and spelled out in chapter I. Unlike the attempt of April 1966, this time the risks of disruption arising from a scenario of economic divergence made national governments reconsider the Commission's proposals, and January 1970 saw the first Council acknowledgement of principle in favour of regional action at Community level. Let us pin down, now in detail, the role of DGII in this finally successful formulation of a regional objective in the context of the preparation of the III MTEP Programme.

Conceding defeat after the Council refusal of the proposed amendments to the preliminary draft of I MTEP Programme, DGII withdrew its amendments without renouncing and explicitly stating the intention to bring up its stance at a subsequent occasion⁵¹. Over two years later, by mid 1968, the preparation of the III MTEP Programme had started⁵². The I and the II MTEP Programme had both covered the period 1966-1970. To a large extent the II MTEP Programme had been a continuation of the I MTEP Programme and both (I and II MTEP Programmes) rested on economic projections for the period 1966-1970. The III MTEP Programme would cover the period 1971-1975 and, thus, would require new economic projections. As argued before (point 2, chapter I), the elaboration of quantitative projections for the preparation of medium term programmes was delegated to a subgroup within the Medium-term economic policy Committee: the Group of quantitative projections. This Group studied the national projections i.e. the various hypothesis and economic policy choices and ran a forecast of the most likely evolution of the economy of the Community in the medium term. Upon these quantitative projections an indicative programme of economic policy in the medium term was then elaborated by the Medium-term economic policy Committee⁵³.

⁵¹ As a matter of fact, Coreper had previously discarded the examination of the 1965 Communication on the grounds that the regional chapter of the I MTEP Programme superseded the 1965 Communication. The Commission originally accepted Coreper's decision but as the Commission's amendments were dismissed, it asked once again to re-open a discussion in the Council on the 1965 Communication. Concretely the following declaration was added to the minutes of the Council meeting adopting the I MTEP Programme: '*Afin de ne pas retarder l'adoption, par le Conseil, de l'ensemble du premier Programme de politique économique à moyen terme, la Commission déclare qu'elle renonce à maintenir ses amendements, mais se réserve d'en reprendre le contenu lors de la discussion de la première communication sur la politique régionale dont elle demande l'inscription à une prochaine session du Conseil*'. See Conseil, *Procès verbal de la réunion restreinte tenue à l'occasion de la 207ème session du Conseil de la CEE* (Bruxelles 8, 9 Février 67) [R/179/67 (MC/PV/R 2) final du 6 février 68].

⁵² Commission, *Comité de Politique économique à moyen terme, Réunion des suppléants du 10 mai 1968. Résumé des conclusions, Bruxelles 13 mai 1968* [6980/II/68].

⁵³ This sub-Group for quantitative projections was analogous in its institutional structure to the committee to which it responded i.e. to the Medium-term economic policy Committee. That is, it was formed by national

It was in the preparation of the projections for the III MTEP Programme within the Group for quantitative projections that DGII found solid grounds to argue for a fundamental Community concern with regional structures. Indeed, in October 1968 the confrontation of national hypotheses within the Group of quantitative projections revealed the incompatibility of various medium term objectives, particularly, as regards the evolution of prices. Perceiving the incompatibility of economic and policy options, as brainstormed within the group of quantitative perspectives, DGII did not wait to prepare a document directed to the Medium-term economic policy Committee to raise the alarm on the risks of incompatibility for the common market in the medium term⁵⁴. In January 1969 the Group of quantitative projections stated that 'even if the gravity of the situation ought not to be exaggerated, the recent evolution of the prices and the first attempts at projections made appear a real danger of divergence' and that a solution could be found by aiming at compatible objectives so that divergence could be constrained under acceptable limits. Otherwise, protectionist measures or parity modifications could occur⁵⁵.

However, the task of the Group for quantitative projections was simply to report on the findings to the Medium-term economic policy Committee, and indeed, it was in this latter committee, and ultimately the Council, from whom the acknowledgement of the risks of divergence had to be gained. Indeed, DGII had raised the alarm within the Medium-term economic policy Committee⁵⁶ but, ultimately, for the package of solutions to the risks of economic and policy divergence which DGII was envisaging, the approval had to come from the Council. On 12 February 1969 the Commission submitted at its own initiative a Memorandum (the I Barre Plan) where, against the risks of divergence, DGII proposed a package solution consisting of striking compatibility among the national hypothesis for growth, prices, employment and balance of payments together with an improvement in the procedures of consultation of short-term economic policies, monetary co-operation and, particularly for our purposes, regional actions. The I Barre Plan noted that more light ought 'to be thrown on the structural problems facing each country in its growth and stability policy and that the Medium-term economic policy Committee ought to put in hand preliminary research to

representatives chaired by a government representative while DGII represented the Commission and also provided the services of secretariat. During this period the Group of economic perspectives in the medium term or also referred as the quantitative subgroup was chaired by Prof. de Wolff. The representative of the Commission was normally R Barre and an alternate.

⁵⁴ That is, *Commission, Stratégies alternatives d'évolution à moyen terme du niveau des prix et leurs conséquences pour le marché commun, Bruxelles 24 janvier 1968* [21535/II/68]. See also: *Commission, Première synthèse sur les projections en valeur pour 1970, Bruxelles 11 décembre 1967* [17015/1/II/67]; *Groupe d'Étude des perspectives économiques à moyen terme, sous-groupe 'Projections', Organisation des travaux pour les projections 1973-1975, (Note du Secrétariat, Bruxelles 10 avril 1968* [5680/II/68]; *Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 28ème réunion du Comité (16-17 mai 1968), Bruxelles 10 juin 1968* [6983/II/68].

⁵⁵ See p.1-2 of *Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 30 et 31 janvier 1969. Résumé des conclusions, Bruxelles 7 février 1969* [2576/II/69].

prepare solutions which could be co-ordinated at Community level in line with the guidelines of the medium term programme'⁵⁷. Finally, in January 1970 the Council approved the Commission's views of the I Barre Plan and instructed that the III MTEP Programme spelled out practicable actions in the regional field (point 16, chapter IV). With such a sign of acknowledgement from the Council the structural conceptualisation of a regional concern for the Community seemed solidly grounded.

In conclusion, although the Commission found in the Medium-term economic policy Committee ally in raising the weight of structural factors in the scenario of divergence of the late 1960s⁵⁸, it took an independent act of the Commission to trigger the launch of a *fundamental* regional agenda understood in structural terms. Indeed, it was at its own discretion that DGII decided to bring up the problems of convergence to the table of the Council and, by doing so, raising awareness on structural and regional factors and on the need for Community action in this field.

9. DGIV: the development of guidelines for national regional aid policies

Apart from DGII, one of the DGs coming across most directly with regional issues was the directorate general for competition. DGIV encountered national regional policies in the running of appraisals of compatibility of national regional measures. However, beyond the strictly sectoral evaluations, and besides various attempts to enhance the appraisal of national regional aids, DGIV and DGII endeavoured to forge a link between competition considerations and regional policy.

9.1. The nature and scope of the appraisals of regional measures from competition considerations

The EEC Treaty (article 3.f) instructed 'the institution of a system ensuring that competition in the common market is not distorted' and, particularly, it assigned to the Commission the guaranteeing of the functioning of this system. Beyond the opening of national frontiers, the setting up of a system of competition as the organiser of relations within the common market was not simply conceived as a tool to overcome trade discrimination but also as an instrument to attain both the conditions and the unity of a truly internal market and the intended economic policy objectives of the Treaty. Such deliberate duty (central to the Community interest) would act chiefly upon two main fields of intervention: practices of undertakings and state aids.

As seen in point 7, the Treaty confers on the Commission, in co-operation with member states, the responsibility for controlling the compatibility of national systems of aid with the common market,

⁵⁶ That is at the session of 11 October 1968: Commission, *Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 30ème réunion du Comité (11 octobre 1968), Bruxelles 28 octobre 1968* [18085/III/68].

⁵⁷ See p.9 of Commission Memorandum to the Council on the co-ordination of economic policies and monetary co-operation within the Community, Brussels 12 February 1969. *Bulletin of the EECC* 1969, Supplement 3.

and among them, those with a regional or sectoral purpose. Article 92.1 of the Treaty defines as incompatible with the common market any manner of advantage granted by States to either certain enterprises or to certain sectors. Thus, in order for a measure to be regarded as state aid, it must, therefore, assist specifically certain firms or certain products, which means that what the Treaty is addressing in articles 92 to 94 are concretely specific aids -rather than those aids that a national government can use as a form of economic policy⁵⁹. Equally, aid for infrastructure investments is not considered as falling under article 92.1, for infrastructures normally offer a universal -rather than a specific- advantage.

On the other hand, incompatibility is the distortion or the threatening of distortion of competition conditions to an extent which affects trade among member states⁶⁰. Thus, for the EEC Treaty aids are not incompatible *per se*; what makes them incompatible are their consequences at Community level. Still, beyond their consequences, although compatibility appears as the condition of not distorting trade and competition among member states, the same Treaty specifies nuances of incompatibility in so far as their purpose is concerned. That is, for a number of categories of aid, the Treaty foresees derogations *per se* (92.2) as well as conditional derogations (92.3) to the overall definition of incompatibility. Notably, and among others, it envisages derogations under certain conditions for those national actions aiming at economic development: either regional or structural, that is, either aiming at the development of a region or at the development of a particular sector.

The drafters of the Treaty seem to have sought to strike a reconciliation of national regional objectives with the functioning of the common market. In this context of the potential conflicts between competition -as being of Community interest- and national regional objectives is where the directorate general directly responsible for competition came across regional considerations. The trespassing of DGIV into national regional policies (in the form of a control of the compatibility of regional measures) concerned, in particular, regional financial incentives.

⁵⁸ This is reflected in the opinions of the Medium-term economic policy Committee on both the I Barre Plan and on the Commission's proposal for the organisation of means of action in the field of regional policy (see point 16, chapter III).

⁵⁹ Indeed, although measures of economic, taxation or general social policy may give a competitive edge to firms in the country implementing them, they are not covered by the competition rules on state aids as they constitute general measures which may be subject to the Treaty provisions on the approximation of laws. No intervention is advocated in article 92.1 as far as the pursuit of economic policy objectives are concerned: general measures and state aids are two different things.

⁶⁰ The Commission and the Court had often appraised both aspects of the criteria of incompatibility i.e. the distortion of competition and the affecting of exchanges, together while the first seems to aim at protecting a level playing field among competing enterprises and the latter seems to point incisively on the effects on exporting capacity of the enterprises aided.

So how exactly does the Treaty pose the task of control of compatibility of national regional actions with the common market? Two categories in article 92.3 are relevant to regional policy⁶¹:

The following may be considered to be compatible with the common market:

(a) aid to promote the economic development of areas where the standard of living is abnormally low or where there is serious underemployment;

(...)

(c) aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest.

Concerning national regional development actions, the Treaty makes a qualitative distinction between two types of regional problem in relation to the relative gravity of regional circumstances. Unlike subparagraph a) above, subparagraph c) lays down a particular condition: aid may be compatible if it does not adversely affect trading conditions to an extent contrary to the common interest. The absence of a condition in subparagraph a) does, by no means, imply that aid to regions where standards of living are abnormally low or where there is serious underemployment are exempted from an examination of compatibility. Rather, at least in principle, the lack of a condition in subparagraph a) seems to concede that the Treaty allows development actions with an incidence more considerable in a) than in c)⁶². The condition to be met by development actions in regions other than those less favoured in order to be deemed compatible is one of 'not adversely affecting trading conditions to an extent contrary to the common interest'. In other words, the limit for national development actions in regions under 92.3.c) is not the affecting of trading conditions as such but the degree of such contravention in relation to the 'common interest'. In short, compatibility of development actions in these regions is, therefore, conditional on the observance of that common interest. In both cases, however, and allowing for such a different degree of incidence, the appraisal of national regional measures had to be made from the point of view of the effects of those measures on exchanges and on competition conditions and directed towards interdicting inadmissible negative effects at Community level.

Thus, the control of compatibility appears, first, as a search for actual incidence of national regional measures -or potential incidence if those aids had not yet been put into effect- and second, as a judgement, at its least, on the admissibility of the measures from a Community point of view. i.e. from a consideration of unacceptable Community effects arising from national measures. In fact, the

⁶¹ Although the national incentives for regional development are the main concern in this thesis, as a matter of fact, often development of regions conveys a sectoral aspect, either because some sectors may be geographically concentrated or because regional aids can undoubtedly have a sectoral incidence.

⁶² Still, as DGII defended, there is no reason to believe that development aid in regions other than those characterised in subparagraph a) would require a quantitatively or qualitatively less stronger action in a given time.

interpretation by member states of the regional related notes of article 92.3, particularly, the control of those least favoured regions was, from the beginning, considered inopportune. The notions of 'abnormally low standard of living' and 'serious underemployment' were certainly not defined by the Treaty but member states considered themselves incontestably the only responsible authorities on regional matters in their national territories, and therefore, no control of regional measures was of Community business, especially in the most severe cases of regional imbalance⁶³. Thus, DGIV was going to direct a stricter attitude towards aid cases under 92.3.c).

Article 93 provided the procedure and the types of examination to be undertaken at Community level. The Treaty laid down that existing aids were to be examined permanently (93.1) and that new or modified aids were to be subject to a preventive (*a priori*) examination (93.3). By existing aids are meant either aids already notified preventively -and to which the Commission had raised no objection- or aids put into effect without being notified -a rather common situation. From the letter of the Treaty, article 93.1 regulates the permanent examination of aid systems i.e. of general aid framework regulations. Concerning these systems of aid the Commission is charged to propose modifications to member states arising from the consideration of the functioning of the common market and its requirements and development. This examination of systems of aid was multilateral and thus member states and the Commission would put forward observations and suggestions to the aid systems under review.

Besides the permanent examination, article 93.3 provided for *a priori* or preventive notification so that the Commission were both informed and able to present observations on either new or modified aids before they were put into effect by national authorities⁶⁴. The preventative examination was exercised by the Commission and member states could intervene. From the early days member states solely accepted and interpreted the appropriateness of a preventive examination as falling on aid systems and not on individual decisions of application of regional aid systems. That is, only regional framework laws were to be examined *a priori*. As seen below this narrow capacity of appraisal started being challenged by DGIV in 1964. Notably, DGIV tried to extend the preventive examination to the individual decisions of application i.e. beyond the capacity to examine general aid systems.

Concerning both situations -existing and new aid systems- the Commission was granted by article 93.2 the capacity, not simply to draw recommendations, but to open a litigant procedure against a member state if either existing or new systems of aids were presumed incompatible or any individual application abused the conditions of compatibility of a framework law. Abuse commonly was

⁶³ See p. 3 of Commission, *Note résumée des problèmes et des résultats de la réunion des 13 et 14 octobre 1966* [13494/IV/66].

⁶⁴ In any case, even if the Commission raises no objection to new or modified aid, the aid still remains subject to multilateral permanent examination.

understood as consisting of either a situation where aids had an effect different than the one for which they were declared compatible, or where an accumulation of advantages was altering substantially the intensity approved as compatible. The EEC Treaty gave the Commission the capacity -after opening a consultation with parties interested- to decide the suppression or the modification of an aid system which envisaged the granting of aids incompatible with the common market or the abusive application of a given aid system. In the first case, the Commission would hold the capacity to oblige member states -through a decision- to inform the Commission of certain projects of aid in individual cases in sufficient time so that take a position. In fact, a Commission's decision in this latter direction, being a lesser constrain for member states than the suppression of a framework law altogether, was a route which the Commission was often going to resort to. In the second case, the use of the provisions for the examination of abusive application of individual cases was, in fact, a rather occasional matter i.e. the examination of cases of abuse were of rather flagrant abuse and brought up by third parties rather than investigated by the Commission. Where aids were already into effect the Commission could still decide modifications *a posteriori*.

Although DGIV was the directorate directly responsible for the management of aids dossiers, aid systems were also examined by other DGs, notably, those relating to the policy domains directly involved. Thus the final decisions on the compatibility of aid schemes involved also the participation of other DGs, and particularly among them DGII which raised wider economic and regional policy considerations.

Recapitulating, the examination of compatibility involved the examination of national regional incentives, notably, from the point of view of their incidence on competition and exchanges. But, what was that examination of regional aids boiling down to concretely? What were the terms and the nature of the appraisals conducted on national regional measures in the mid and late 1960s? As said before, the Treaty considered regional purposes as a (possible) derogation to the general prohibition of distortion of competition and exchanges. Thus, the preliminary analysis was a confirmation that the aid in question fell under Community interest i.e. that by granting specific advantages, regional aids had an incidence in competition and exchanges. Having confirmed a situation of incompatibility, the examination proceeded to confirm that a derogation for a regional purpose was justly applicable. Over and above, the confirmation that the finality of such disruption was legitimate i.e. that the drive behind specific advantages was regionally motivated and, thus, falling under the Treaty's envisaged derogations, did not confer compatibility automatically. Regional purposes were not considered by the Treaty as compatible *per se* i.e. unconditionally compatible. The conditions for the conferment of a derogation related to the extent to which the common interest was compromised. Indeed, it has been seen above that the Treaty made a distinction between degrees of relative regional imbalance (subparagraphs a) and c) of article 92.3), and particularly for regions where the standard of living was not abnormally high or where underemployment could not be considered serious enough, a degree of accommodation to be struck between regional and Community interest had been

explicitly referred to. The fact that the Treaty did not explicitly stated a condition of observance of the common interest seems to be explained simply as a granting of larger leeway for national incentives. So all in all, beyond the confirmation of the regional purpose of specific national incentives, the appraisal of regional aids took a further step, that is, an appraisal of the degree to which, what in principle were distortions to an adequate functioning of the common market, could be considered compatible with the common market -or 'customised' so that to be made compatible with the common market.

In sum, the appraisal of national regional aids seems to have fundamentally consisted of an examination of incidence, of purpose and of intensity. In other words, once advantages were confirmed to be driven by regional purposes a further appraisal came to play, namely, one of proportionality, that is, an appraisal by which the intensity of the national advantages was considered from a Community perspective so that the importance of the national means engaged -or to be engaged- were not compromising the common interest. DGIV's task was, therefore, not one of questioning national regional aid policies but solely to raise, in a case by case basis, the limits of acceptable distortion and, in so far as possible, try to accommodate regional and competition concerns. Far from either lecturing member states on regional policies or aiming at a Community regional development, the Community intervention on national regional aids seems to have been devised to attaining a reconciliation, an accommodation of national and Community objectives⁶⁵. Appraisals were substantially aimed at ensuring that a system of competition was as extensive as possible.

9.1.1. The Commission's power of objection to regional measures, its shortcomings and the final solution of co-ordination of regional aid schemes

Beyond the nature and the terms of the appraisals carried out on national regional measures, the Commission held a power of objection, consisting of a power of taking decisions -addressed to member states- to modify the modalities of intervention of a national system of aid or to abolish a regional aid altogether⁶⁶. To improve such capacity of appraisal and of objection to incompatible national regional measures was DGIV's aim throughout the 1960s.

Indeed, the EEC Treaty gave the Commission the power of deciding (in co-operation with member states) on the admissibility of regional measures. Such power of objection was a power of censure, a power to rule out regional measures for not observing sufficiently the common interest or to propose modifications to the modalities of intervention of national aid systems so that competition rules were

⁶⁵ See point 134 Commission, *Premier Rapport sur la politique de concurrence*. 1971.

⁶⁶ The weight of Commission's decision was backed by the provision that in case of non-compliance either the Commission itself or any other interested State could refer the matter to the Court of Justice. On the other hand, a member state could also attempt (in what the Treaty refers as exceptional circumstances) to gain a unanimous decision of compatibility by the Council (article 93).

taken in consideration. The Commission certainly had been granted a power to object to regional measures but, as a matter of fact, rather than scenes of conflicts and wrestling between regional and common interests, until 1971 the control of regional aid systems was a rather ineffective matter for practical reasons: the Commission was 'technically' unable to object to regional measures. From the early 1960s the Commission denounced that its power to object was hindered by various shortcomings in the appraisal stage, notably, its power of objection to national regional aid systems proved to be dependent on problems of opacity and measurability.

A classification of aid into certain categories and a standard information procedure had been reached by 1960 between the DGIV and national government experts on state aids⁶⁷. The examination of aids granted by member states with a regional and/or structural purpose would rest on an examination of general aid systems. Hence general aid systems were to be submitted for an examination of compatibility both before being introduced as well as throughout their implementation to control any possible abuse of compatibility. Crucially member states interpreted the obligation to inform the Commission on the granting of specific advantages as consisting of submissions of general aid regulations, of framework laws, in other words, of general aid documents spelling out broadly the rules, the objectives, the intentions of the envisaged aid policy, the features of domain of application, the general range of intensity of the aids eligible, etc. These legislative texts with insufficient specification on their concrete application i.e. regarding conditions for eligibility and possible recipients implied two major difficulties, on the one hand, their generality prevented an accurate evaluation of their degree of compatibility for no clear idea of the incidence on exchanges and on competition could be made *a priori*. But, on the other hand, even if guidelines were made in the framework regulations, the large scope of the authorisations left a large discretion in their execution by any level of national authority which, inevitably, raised suspicion of possible abusive applications. This risk of a wide departure of individual decisions from the general objectives of regional aid systems was most unacceptable for regions falling under the category of 92.3.c) -since there the chances to distort competition and exchanges were higher.

In order to imprint a more rigorous appraisal of regional aid systems, and therefore, tighten the control of their application, from 1964 DGIV proposed a straight-forward solution: examine the *application* of general aid systems. Notably, DGIV proposed that the Commission ought to be informed not only on regional aid systems but also on the most significant decisions of application of the general aid rules. To support its proposal DGIV argued that the Treaty gave the Commission, first, the capacity to proceed to an evaluation of regional aid systems but, nonetheless and additionally, a responsibility to ensure that these systems were not applied in an 'abusive manner'. DGIV denounced that the knowledge the Commission had from national individual decisions of

⁶⁷ See p. 64 of H. Von der Groeben, (1985) *The European Community. The formative years*. Brussels, Office for Official Publications of the European Communities, European Perspectives Series.

application was rather unsystematic and random⁶⁸. Concretely, DGIV was proposing that the Commission ought to be able to prevent in a more systematic manner any possible abuse in the application of a regional aid system been considered compatible by the Commission. That is, in order to prevent abuse of the compatibility of a regional aid system, the Commission ought to be able to take the position of not objecting to the regional aid system as such -although a presumption of incompatibility had been raised- but, nonetheless, demand that the national government inform the Commission of those most important individual decisions of application falling under a given general aid system before they were actually granted. This *a priori* examination was necessary for ruling out in anticipation any likely damage where chances of abuse were likely, so that actions *a posteriori* -such as decisions of incompatibility or actions of recovery- could also be avoided⁶⁹.

Let us stress that the ultimate target of a preventive examination of individual decisions of application was the upgrading in the procedure of appraisal of aids so that a tighter control resulted. In fact, the problem of the control of regional aids had become by 1967 a pressing issue. Aids were revealing a trend of increase in their importance⁷⁰. Unquestionably a tighter control of regional aids aimed at the prevention and exclusion of inadmissible distortions to the rules of competition, yet these increases seemed to reveal the difficulties and the acceleration of the structural adaptation provoked by the increasing pressure of competition and the development of the common market. In other words, as a result of the structural mutations provoked by the establishment of the common market as well as the loss of traditional trade protections, national governments were apparently resorting increasingly to regional derogations in order to smooth out transitions. The increase was

⁶⁸ Notably, DGIV noted that in some occasions it had learnt from cases of abuse either from the Press or from complaints: see p. 21 of Commission, *Note d'information pour la Commission, Objet: Essai d'interprétation de la disposition d'exception de l'article 92.3.c) du Traité CEE et possibilités d'action de la Commission au titre de cette disposition, Bruxelles Avril 1966*.

⁶⁹ At the same time, noting that this preventive examination of individual decisions would immediately mean an avalanche of submissions of concrete cases, DGIV specified that a small sample of regional cases -those with particular significance from a Community point of view- ought to be subject to such preventive examination. The criteria of 'significance' ought to be negotiated and agreed upon but DGIV suggested as examples: cases of regional aids involving particular sectors, or cases which, by their size and incidence, held higher probabilities of incompatibility, or those falling in the central areas of the Community territory, etc. Pragmatically, DGIV was ready to admit narrow criteria of significance which would limit to a minimum the number of submitted cases for various reasons: to dispel criticism of excessive interventionism, to be able to process dossiers expeditiously, and not overload DGIV's services. The criteria of selection could be refined progressively to include larger submissions while DGIV expected that from examination of individual cases jurisprudence would develop. Indeed, DGIV calculated that around 15,000 national individual decisions of application of aid systems (sectoral and regional in their purpose) were made per year. This figure seemed to clearly rule out the feasibility of an examination of every single case of application. See p. 22 *Essai d'interprétation*.

⁷⁰ In France the global volume of state subvention to enterprises increased from around FF9 billion in 1964 to FF12.2 billion in 1967 i.e. an increase of circa 35% in 3 years. In Germany the 'visible' aids solely of the Federal government passed from DM4.9 billion in 1964 to DM6.9 billion in 1967, that is, a little less than 40% increase in three years. See the Commission's poignant criticisms to national administrations regarding the implementation of the regional policy provisions at the examination on the application of the I MTEP Programme: Commission, *Projet de Mémoire de la Commission au Comité de Politique Économique à moyen terme sur l'exécution du Premier Programme de Politique économique à moyen terme, Bruxelles 13 mars 1969* [191/III/69].

not only an increase in volume but also a geographical extension of state aids. Such an increase was detrimental, argued the Commission, first of all, on economic policy grounds for it was necessary to ensure that national regional aids did effectively work in favour of regional development, rather than artificially distorting competition and an optimal allocation of resources. Secondly, a process of increase in state aids and of subsequent overbidding had started to take place by 1967 when various member states, in order to accelerate the process of regional development, (among others encouraging the implantation of investment from third countries) rose up subventions thus opening up a competition on investment attraction among regions⁷¹. This situation, obviously, involved onerous budget charges which, in turn, did not resolve into an increase of the volume of investments but rather it produced a situation of reciprocal neutralisation. The escalation of aids ultimately meant: no link between the gravity of the regional circumstances and the sums committed, running counter to a better equilibrium of activities -with the chance of poorer regions being left out of a subventions race- and involved situations of unfair competition i.e. the granting of artificial advantages to geographically based industries was accompanied by a lack of transparency of the sectoral consequences of regional aid. Regional aid thus turned into support of particular productions whose consequences were felt by producers within the same sector elsewhere in the common market. The distortions of competition were, comparatively, felt more sensibly in central and frontier regions than in peripheral regions

So, as by the mid 1960s the control of regional aid systems became of a pressing nature, DGIV would prove resourceful in devising and proposing different methods in order to rally member states to accept to improve the control of regional aids. But ultimately throughout the remainder of the 1960s DGIV stuck stubbornly to an approach consisting of the preventive examination of particular individual cases of application of general aid systems.

The first method of carrying out the examination of individual decisions was proposed in July 1964. DGIV proposed that the preventive examination of application of some regional aid systems could take place by convening multilateral examinations⁷². Notably, national experts would notify the most significant cases and national experts would be gathered for a multilateral examination of the application made of general aid systems. This would take an experimental form which, if successful, could be legally institutionalised and made operational by resorting to article 94 i.e. by adopting a regulation determining the conditions under which the preventive examination of the most significant individual cases of application of regional aid systems could take place. Indeed, article 94

⁷¹ The Commission never could give precise evidence of concrete cases of overbidding when requested by the Medium-term economic policy Committee on 16 June 1969: see Annexe 2 to Commission, *Comité de Politique économique à moyen terme, Réunion des suppléants du 16 juin 1969. Résumé des conclusions*, [OR II-153/69], yet the existence and the importance of the process was recognised by member states.

⁷² See Commission, *Communication de M. von der Groeben sur les problèmes de principe posés par les régimes généraux d'aides en faveur du développement économique* [IV/S/01965/64 du 7.7.1964].

of the EEC Treaty gave the Council the power to adopt regulations for the application of articles 92 and 93 and, in particular, regulations concerning the procedure of preventive control.

DGIV's suggestions seemed to initially have been welcomed. On 10 May 1965 national experts accepted the convening of an annual multilateral meeting devoted to the analysis of the actual application of general systems of aid⁷³. Thus national experts -maybe solely experimentally- agreed to a first examination which would address a set of possible quantitative criteria of significance, namely, the volume of financial or other means put into effect, the maximum amount of aid per case of application and beneficiary sectors and regions. The examination as such would consist of a discussion of the objectives pursued by aid systems and the degree to which the actual means put into effect contributed to realising those objectives as well as their incidence on competition within the common market. A first multilateral meeting was scheduled to take place in the second semester of 1965 in order to examine the application of general aid systems throughout 1963. The convening of such a multilateral arrangement, however, soon entered into adjournments. From June 1965 the empty chair crisis not only delayed such initiative but brought along a reluctance of member states to accept what they saw as an innovation in the Commission's powers. In fact, by the second semester of 1966 this multilateral examination had still not taken place.

The second alternative attempt was launched simultaneously. As hinted before, DGIV believed that there was sufficient legal basis for proposing to the Council such a preventive notification via a project of a Council regulation on the basis of article 94. Indeed, acting by qualified majority on a Commission proposal, the Council was empowered to determine the conditions under which preventive examinations could take place, such as determining the categories of aid exempted from this procedure. Thus, in April 1966 the Commission decided to push forward a project of regulation under article 94 with the intention to lay down more precise conditions and modalities for the proceeding of preventive examinations⁷⁴. Notably, the Commission aimed at defining notions such as 'sufficient time' so that to be able to carry out its appraisals adequately and, more importantly, at defining the field of application of the *a priori* surveillance i.e. at laying down the concrete categories and cases where a preventive examination was appearing as necessary. Thus, while laying down criteria of significance to narrow down the individual cases under examination, the Commission was proposing that preventive examination applied to individual cases of application of regional aid schemes but only to those most significant individual decisions of application⁷⁵.

⁷³ See p. 3 of Commission, H. von der Groeben, *Lettre adressée le 9.7.1965 aux gouvernements de la Belgique, de la France, du Grand Duché de Luxembourg* [12803/IV/65].

⁷⁴ Commission, *Proposition d'un règlement du Conseil fixant en application de l'article 94 CEE les conditions et les modalités d'application de certaines dispositions de l'article 93 CEE (présentée par la Commission au Conseil)*, Bruxelles 30 Mars 1966 [COM(66) 95 final].

⁷⁵ See p. 6-7 of Conseil, *Document de travail, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE*, Bruxelles 1 août 1968 [T/452/68].

The negotiation of the regulation would lead nowhere. Diametrically opposed to the Commission's intentions, amendments to the project of regulation were submitted by the Italian and French delegations trying to use article 94 to define certain regional situations as compatible *per se*, and thus aiming at turning the Commission's power of appraisal and objection into a mere capacity of corroborating that the submitted aids were falling under the category of aids not subject to Commission's appreciation. Thus, the Commission found itself defending its power of appreciation in the categories of regional and sectoral aid falling under article 92.3, that is, defending the position that a Council regulation under article 94 could not amend the distinction between compatibility *per se* (article 92.2) and conditional compatibility (article 92.3) made by the Treaty. Indeed, if through a regulation the Council could turn compatible (in the sense of article 92.2) aids which the Treaty categorised as 'may be compatible' (in article 92.3) the power of appreciation accorded to the Commission (in article 92.3) would be reduced to a capacity of simple corroboration and, thus, dispossessing the Commission of the power to object to aids considered incompatible on the grounds of the affection of the common interest.

But, DGIV had foreseen, in fact, other contingent routes if member states proved uncooperative. In a third more forthright attitude DGIV argued that within the setting of the litigant procedure (93.2) the Commission, in the face of a general aid system upon which it held serious reserves, could -rather than deciding its abolition or its modification- opt for obliging (through a decision) the member state in question to inform the Commission of certain projects of individual aids. Such decision was seen by DGIV as certainly imposing a lesser political impact than a decision of suppression or of modification⁷⁶.

The Belgian framework law on economic expansion of 14.7.1966 'instituting temporary exceptional aids to expedite reconversion and economic development of the coal mining regions and certain regions confronted with acute and pressing problems'⁷⁷ was one of the cases where the Commission's acceptance of a regional aid system was made subsidiary to the examination of the most important cases of application. Since this law is a clear-cut case of presumption of incompatibility of a framework law it is worthwhile examining it briefly.

Although the Commission and all national experts recognised the pertinence of the assistance to regions directly affected by the closing down of coal mining pits, a number of reservations on the compatibility of the Belgian law of 14.7.1966 with the common market were expressed by the Commission as well as by the other delegations. Notably, the Commission brought to Belgian

⁷⁶ See all the drawing of the alternative routes by DGIV in *Essai d'interprétation* p. 23-24.

⁷⁷ See Annexe I to the Commission's Note on regional policy, p. 112-123 of Commission (1969) *A regional policy for the Community*.

authorities' attention that both the intensity of the aids foreseen⁷⁸ and the lack of geographical specificity of the aid scheme were notorious features raising presumptions of incompatibility while 'assistance for investments and employment creation were worryingly close to centres of normal economic activity'⁷⁹. Moreover, the framework law laid down no criteria conveying that, in the granting of incentives, a distinction in the nature and acuity of regional circumstances would be made. That is, no modulation in the assistance -in accordance to the varying degree of regional need- was envisaged in the framework law. From the discussions between DGIV and the Belgian authorities it emerged that the delimitation of the zones of application of this law had been influenced by political factors, notably, by the fear to raise further dissension in an underlying linguistic division. Too fearful of domestic divisions, the Belgian authorities had produced a regional law which, rather than discriminating positively, sought in their regional interventions a linguistic equilibrium.

In January 1967 the Commission had contemplated two possible responses but, even in the face of compelling evidence, the Commission opted for a non-confrontational line and conscious of the political aspects involved, considered it inopportune to use the power of objection and oppose the entry into effect of the Belgian aid system⁸⁰. Indeed, objecting to the compatibility of the regional aid system would have implied to open the litigant route of article 93.2 entailing a weighing up of the point up to which the Belgian regional law respected the Community interest in its alleged pursuit of a national regional policy objective, and where the Commission had the capacity to decide on either a modification or the abolition of the aid system altogether. Instead, the Commission decided to push for the monitoring of the concrete application of the most significant cases⁸¹. In fact, the first option (of not objecting to the Belgian framework law, with the condition that the particular cases of application were notified in sufficient time so that a preventive examination could take place) was the position of the delegations at the multilateral examination of this aids scheme. In this instance all delegations (except for the French who defended an examination of only the general features of the

⁷⁸ As regards intensity of the aids, the multilateral examination could not elucidate the number and the size of the aiding practically possible for any individual case. In fact, DGIV worked out that an accumulation of various types of advantages could represent an equivalent-subsidy of around 20-30% of the original investment which was certainly pointing to non negligible incidence.

⁷⁹ To start with, the law foresaw interventions in coal mining areas but also in 'other regions confronted with urgent problems' which in the end covered nearly 40% of the Belgian land. See p.2 of Commission, *Note résumée des problèmes et des résultats de la réunion des 13 et 14 octobre 1966* [13494/IV/66].

⁸⁰ See Commission, *Loi Belge d'aides (Communication de M. von der Groeben), Bruxelles 10 Janvier 1967* [G(67) 15].

⁸¹ Once decided that the Commission would not oppose the entry into force, a new dilemma appeared i.e. either simply setting aside the application until the multilateral discussions on the setting up of a procedure for preventive examination of applications were agreed upon, or otherwise, arrange a procedure of control *a posteriori* by which every six months the Belgian government would inform DGIV of the individual decisions of the largest size so that the Commission could still produce a decision in sufficient time in case any concrete application of the regional law was decided incompatible. This arrangement would be applied to all member states. The Commission decided for the second toughest option and thus reserved the right to follow the application of this law by a control of the concrete cases of application.

application of the framework law) stated the need of, not only an examination of the practical application of this new system of aids, but the ineluctable importance of the establishment of a procedure of efficient control of regional aid systems⁸².

But, as a matter of fact, the Belgian case was going to be notorious from another point of view, namely, the non-compliance with Commission's decisions⁸³. Notably, the Belgian delegation reacted negatively to the obligation imposed by the Commission to notify preventively certain cases of application and considered the Commission's decision unacceptable. Even if the Commission opted for a less confrontational route to the appraisal of the law of 14.7.1966, in the following years the Belgian government would adopt new laws effectively lengthening the application of the 1959 and 1966 laws, without being accompanied by submissions on the justification of the maintenance of the field of application previously questioned, that is, turning a blind eye to the Commission's requests⁸⁴.

The Commission did not abandon its stance of making its agreement dependent on an *a priori* communication of certain individual cases of application, and decided in the same direction in other cases of appraisal of regional aid dossiers with similar responses of non-compliance⁸⁵. However following from the Dutch aids dossier, by early 1969, delegations had come to agree on the organisation of a first multilateral meeting among national experts to discuss the possibilities to establish a procedure of preventive examination. A first meeting took place on 31 March 1969 followed by more discussions on 28 May and 25 July 1969. Through the discussions, Italy and France in particular, opposed any preventive examination and stuck to a sole appreciation of aid systems⁸⁶. But by February 1969 an alternative to the preventive examination (as put forward by the

⁸² See p. 8 of Commission, *Loi Belge d'aides*, [G(67) 15].

⁸³ See an account of the persistent neglecting of Commission's positions up to 1972 in *Bulletin des CCEE*, 6-1972 p. 56-58 and a brief account of successive regional laws in Romus P. (1974). *Économie régionale Européenne*, p. 142-143 or in (1979) *L'Europe et les régions* p. 137-138.

⁸⁴ The Belgian government argued its refusal to establish a systematic control of cases of application was because of the uncertainty it could bring about to investors and for the risk it involved in discouraging foreign investments -which were considered by Belgian authorities as indispensable to the success of its industrialisation policy. See p. 15 of Commission, *Loi Belge d'aides*, [G(67) 15].

⁸⁵ In the case of a new regulation in favour of regional development submitted by the Netherlands, the Commission objected mainly to the intensity of the advantages foreseen and decided that if those modalities of intervention were maintained there were serious doubts about the compatibility of the aid system with the common market. On 20 April 1967 the Commission decided to open the litigant route (article 93.2) and opened the consultation procedure with member states to gather opinions. The Dutch government did not accept the modifications suggested by the Commission concerning the intensity of aid and on 22 June 1968 the Commission backtracked and decided to reconsider its position and not to object to the entry into force of the regulation with the condition of setting up a procedure for a systematic examination of the application of significant cases of the system of aids. The Dutch government on 30 August 1968 acknowledged the necessity of an efficient control of aids and declared to be ready to co-operate for the setting up of the procedure proposed by the Commission. See a recapitulation of the examination of the Dutch regional aid and of the run up to the adoption of the resolution of 20 October 1971 in p. 3 of Commission, *Rapport 2/73 sur les procédures prévues à l'article 93.2 du Traité CEE, dites 'C' et les cas d'application des articles 101 et 102 du Traité CEE, dites 'D'*. (Fascicule II), Bruxelles 11 Décembre 1973 [SEC(73) 4785].

⁸⁶ Both delegations submitted amendments to the project of regulation that the Commission had submitted in to establish such preventive examination by resorting to article 94. These amendments clearly aimed at exempting from the proposed preventive notification their French and Italian regions. See the amendments proposed by

Commission since 1964) started to emerge as viable. On 2 February 1969 the Commission added to its original stance (of not objecting to the entry into force of an aid system with the condition of being informed of individual decisions of application) the alternative of asking member states to modify general systems in a way to allow the Commission to decide on their compatibility without having to examine their concrete application. This alternative position was refined and, finally, a resolution in the form of a code of conduct to be observed by the member states was agreed. By June 1971 an agreement of principle was reached, notably, on a solution no longer consisting of a preventive examination of individual cases, but in the form of a harmonisation and a better transparency of regional aid systems as such⁸⁷. The agreement struck by national government experts and DGIV on a number of aspects of co-ordination of regional aid systems was then settled with the official adoption on 20 October 1971 by the Council and representatives of a resolution on the co-ordination of regional aid systems⁸⁸.

The resolution on the co-ordination of general regional aid schemes laid down a number of principles to which member states engaged to conform to at the time of the concrete application of their regional aid regimes. That co-ordination was agreed to be attained progressively, that is, it was only accepted to apply first to a category of regions defined as 'central regions' and then gradually extended to the remaining peripheral and more underdeveloped regions of the Community⁸⁹. Substantially, the co-ordination of regional aid systems consisted of four aspects. To start with, a harmonisation at the topmost i.e. setting a maximum limit of intensity for aid falling in 'central' regions. That is, member states engaged themselves to respect -for aids to their central regions- a single ceiling of aid intensity of a maximum of 20% net subsidy-equivalent of the original investment. This non exceedable threshold, which would take account of all accumulation of aid and was expected to be lowered in the future, was expected to limit intemperate outbidding. Second, member states committed themselves into making their regional aids transparent. Transparency conveyed the obligation to ensure that national regional aid systems could be quantifiable, that is, that regional aid systems contained all the indications necessary so that a common method of evaluation and comparison of aids could be applied upon them as well as clearly spelling out the conditions governing accumulation of aids. Such engineered common method of quantification

Italy: *Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE*, Bruxelles 1 décembre 1967 [R/1677/67 (ECO 176)] and the French amendments: *Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE*, Bruxelles 6 juin 1968 [R/1014/68 (RC 23)].

⁸⁷ *Communication de la Commission au Conseil, Régimes généraux d'aides à finalité régionale*, [SEC(71)2336 final du 23.6.1971], JO C 111 du 4.11.71.

⁸⁸ Council resolution of 20 October 1971 concerning the co-ordination of general regional aid schemes, JO C 111 of 4.11.1971.

allowed to measure -in percentages- the relative importance of the aid in relation to the original amount of the investment and, thus, render aids comparable. Indeed, ultimately, transparency intended making aids measurable and, in turn, comparable. Third, the resolution of co-ordination of aid schemes compelled to a clear delimitation of the geographical field of application of aid systems. Plainly, general aids had to be ruled out, aids could no longer cover the whole country, the geographical zones where aids applied ought to be clearly delimited, modulation in accordance to relative gravity was to be clearly indicated, and isolated aids -other than for the creation of development poles- ought to be avoided. Finally, fourth, to prevent the common practice by which advantages were given to no matter which sector within a region, member states accepted to inform the Commission on the sectoral incidence of regional aids so that the sectoral repercussions of regional aids could be appreciated from the aid system itself. Member states resolved that from January 1972 all these principles would start to be applied to both existing and new systems in central areas⁸⁹.

Although the above principles of the co-ordination of general regional aid schemes were elaborated closely together with member states⁹¹, ultimately the co-ordination was formalised under a resolution with no binding value. Clearly principles of a general nature were preferred to the original solution proposed by the Commission based on *a priori* notification of major individual decisions. The surveillance of the observance of these principles would consist of a communication on the most significant cases of application *a posteriori*, notably, in the form of a periodical examination with the national government experts of the results of the application of these principles⁹².

So, to what extent was the Commission's capacity of objection to national regional measures enhanced by the co-ordination of national regional aids? The resolution seems to have provided for

⁸⁹ 'Central regions' comprised all the Community territory except Berlin, the *Zonenrandgebiet*, those French beneficiary areas of development funds and the *Mezzogiorno*. See point 2 of Annex to the Communication of the Commission to the Council on general regional aid schemes, JO C 111 of 4.11.1971.

⁹⁰ Some concrete details of the co-ordination were left open to be worked out in detail such as aspects of the common method of evaluation to make aids comparable as well as the manner of the evaluation of the sectoral repercussions of regional aids. However, national experts accepted that an engagement sufficed to prevent an unnecessary delay in the adoption of the resolution. Thus for instance as far as sectoral repercussions are concerned, in awaiting for a better operationalisation it was agreed as a principle that a double accumulation -of regional and sectoral aid- would be unacceptable. See Communication of the Commission to the Council on general regional aid schemes.

⁹¹ See p. 70, of Melchior M. 'La politique régionale de la Communauté: aspects juridiques' in *L'Europe et ses régions. Actes des VIIème colloque de L'Institut d'Études Juridiques Européennes sur les Communautés Européennes, Liège, 7-9 Novembre 1974*.

⁹² After the approval of the resolution of October 1971 technical work started between the Commission and national experts for the agreement on the modalities of the *a posteriori* surveillance of the resolution of co-ordination in central areas. On 4 December 1972 the Commission submitted a proposal of regulation on the basis of article 94 laying down the modalities of the procedure of surveillance of the co-ordination of aid schemes in central regions Commission, *Proposition d'un règlement du Conseil fixant l'application de l'article 94 CEE, les modalités de surveillance par la Commission de l'application, dans les régions centrales de la Communauté, des principes de coordination des régimes généraux d'aides à finalité régionale, (présentée par la Commission au Conseil, Bruxelles 4 décembre 1972 [COM(72) 1523 final]*. This regulation was never adopted and was withdrawn by the Commission on 14 December 1976.

the first time points of reference upon which the Commission could lay its objections. From the setting of a ceiling in central areas the Commission was going to be able to rule out accumulations of advantages beyond a maximum percentage of support. From transparency and regional and sectoral specificity, a more accurate evaluation of the incidence, of the legitimate claim of regional derogation and of the extent -the intensity- to which aid was compatible, or otherwise contrary, to the common interest could more effectively be undertaken. This factor was going to offer the Commission concrete grounds for objecting to the extent to which aid was compatible with the common market. Indeed, the measurability of aids implied that a comparison of aid intensities was now possible. Also the comparability of aids seems to pose, for the first time, the ground for the logic of giving analogous degrees of support to analogous structural situations. The embodiment of the logic that to different situations corresponded different ceilings of support was finally materialised in 1975 when ceilings of aid intensity were differentiated according to the nature and gravity of regional problems⁹³.

So what can we conclude from all the above? First, the solution of co-ordination of regional aids of 1971 -simply extended to all regions in 1975- upheld national discretion as regards regional incentives. Certainly the solution of co-ordination bore some minimal consequences on the leeway of member states to make regional policy and also some minimal consequences for a regional cause. but after all, a genuine regional concern from the field of competition was a step clearly beyond the narrow control of compatibility as defined by the Treaty. Indeed, on the one hand, the resolution of 20 October 1971 upgraded the Commission's power of censure over national discretion in the sense that the Commission could now argue and support with a further degree of evidence presumed cases of inadmissible effects on competition rules. Clearly also member states had accepted the bending of their aids to central areas into defined ceilings of intensity, had agreed to itemise their advantages so that intensity could be translatable into the common method of measurement and had consented to abide by the principle that an aid to whatever enterprise, whatever sector or whatever ill-delimited region or area was no longer acceptable. So, in these senses, national discretion had been minimally curved in exchange for a reinforcement of the rule of competition as the market organiser. Also, looking at the solution of co-ordination from a bright side, one could say that a number of positive effects spilled over the regional cause. Notably, while the setting of ceilings for the central areas would bring about a minimum arrest of outbidding in the uncontrolled race for investments which started in 1967, it would also entail a minimum degree of positive discrimination in favour of peripheral regions and would tend to a higher concentration of public resources in relatively more needy areas. On more substantial grounds, however, one has to admit that the regional aspects of the

⁹³ See the Commission's Communication of 26 February 1975 informing the Council of the principles of co-ordination valid for all regions of the Community which would apply from 1 January 1975 [COM(75) 77 final]. For the transitional arrangement of 1973 which extended partly the principles of co-ordination of 20 October 1971 to the enlarged Community see point 18.2, chapter IV.

co-ordination of regional aids attained in 1971 were, in fact, rather anecdotal. Indeed, although the resolution had accomplished a common method of measurement that permitted a comparison of regional aids, such common method of measurement was confined to evaluations of impact on competition conditions rather than being used as a tool of modulation in relation to the relative regional disadvantage of the regions within the Community⁹⁴. In other words, never was it the case to make the compatibility of aids proportional to the relative situation of a given region in relation to the counterparts. Thus, transparency and regional specificity boiled down to imposing a differentiation in the intensity of the aids given the different nature and urgency of the regional problems (always nationally speaking). In short without an accepted evaluation of the regional socio-economic disadvantages at Community level the resolution confined itself to stating the need for modulation in accordance to the relative severity of national imbalances. The ceilings too were set on the basis of those given in national regional aid systems. In fact, by 1971 there was no Community-wide accepted appreciation of the relative regional situations across the regions of the Community. The Commission pointed out however -in October 1971-, that the Committee for regional policy which the Commission had proposed to set up -that is in the 1969 proposal (point 12, chapter III)- could undertake such a relative appreciation of regional situations⁹⁵.

So, from the co-ordination of regional aids based on the principles of 20 October 1971, both the discretion of national policy makers in conducting regional policy and the consequences for a regional cause were rather minimal. But could it have been otherwise? First, as shown above, the purpose and the drive behind the co-ordination of regional aid schemes was the tightening of the appraisals of compatibility, and thus, any regional concern was clearly a step beyond the control of compatibility as defined in the Treaty. Inserting a regional concern in the control of compatibility was clearly a political step beyond the terms of the control of compatibility, for, after all, the Treaty had not defined any regional responsibility to be pursued by the Community. As noted before, the control of compatibility of national regional aids was, ultimately, aiming at accommodating regional measures with competition rules and, thus, the narrow terms of the Commission's capacity to censure regional aids had originally been devised for the attainment of a system of competition as comprehensive as politically possible. Clearly from a look at the period of the mid 1960s to the mid 1970s it emerges that within this restricted context DGIV proved proactive in attempting to upgrade the procedure of appraisal so that to enhance its capacity to object to regional measures on competition grounds. But, even more, and particularly for the interest of this thesis, during the same

⁹⁴ Romus P. (1979) *L'Europe et les régions*, p. 134, notes that co-ordinating regional aids in the Community consists of fixing for each region a level of aid corresponding to the handicap to overcome in the area where the investment locates. Although a first task would be to try to quantify the regional handicaps of each region, the Community has not entered into such a difficult task. Rather, it has proceeded to the setting of levels of aids on the basis of the levels existing in the regional aid systems of the member states.

⁹⁵ See point 7 in Annex to the Communication of the Commission to the Council on general regional aid schemes, JO C 111/12 du 4.11.71.

period the Commission seems also to have aimed at developing its examinations and its power of censure beyond the strict considerations of incidence of regional incentives on competition (as laid down in articles 92-93) and to elaborate positive principles (a 'soft law') to guide member states in the elaboration of regional aid measures while respecting, in so far as possible, the functioning of the common market. In short, in the name of the common interest the Commission did try to forge a doctrine on regional aid policy.

9.2. Beyond the negative power of objection to the definition of positive principles of guidance of national regional measures

In spite of the fact that the provisions of the Treaty did not deliberately establish a relationship between competition rules and regional policy, there is evidence that since 1962 the Commission queried the delimitation of regional and competition considerations for competition purposes, or in other words, queried the possibility of defining the limits of the regional derogation. Indeed, on 14 February 1962 the Commission College asked DGII and DGIV to proceed to a study of the limits existing between competition policy and regional policy by trying to define the criteria mentioned in article 92.3 -which certainly involved filling in with a policy content the abstract concepts evoked in articles 92 to 94. Yet, it was felt by DGII that defining and operating a relationship between regional policy and competition policy was premature at the time for, on the one hand, regional policy remained fully a competence of national governments, and on the other, such delimitation could bind the Commission by too rigid criteria, particularly, given the diversity of regional situations across the Community. Thus, it appears that the Commission opted, from the early days, for a flexible and pragmatic attitude, while not renouncing to define and operate, at a more advanced stage of the co-ordination of national regional policies, a more precise relationship between competition rules and regional policy⁹⁶.

Thus, judging it more appropriate to deal with the question of a co-ordinated use of competition rules from regional aims in the future, from the early 1960s the Commission opted for a gradual approach, one based on jurisprudence. Nonetheless, even if opting for such a pragmatic, case by case approach seems clear that neither DGIV -nor DGII- opted for filing the development of such a link between competition and regional concerns, but rather, the definition of an adequate relationship between regional and competition aspects was attempted from the mid 1960s. Notably, both DGs intended the superseding of the strict negative role of surveillance of national regional aid systems by the development and formulation of principles of a 'competition friendly' aid policy which would drag national authorities into more compatible forms of intervention.

⁹⁶ See p. 4 of *DGII, Note pour la Commission, Objet: Organisation des travaux relatifs à la politique régionale entre les diverses directions générales, Bruxelles 29 Juin 1962* [II/C/2/APdp/29/VI/1540 rev.]. See original text in appendix.

In this forging of principles guiding national regional aid policies the contribution of DGII appears as crucial. Indeed, concerning the involvement of DGII on competition policy considerations it is worth recalling that decisions of compatibility were taken collegiately i.e. by the Commission as a whole and, therefore, they involved the participation of various DGs. In fact, it seems probable that such involvement of various DGs would call for an expansion of the criteria of appreciation even if, ultimately, the examination of compatibility was a test of observance of competition rules. In any case, and particularly concerning regional aids dossiers, DGII and DGIV co-operated in their examination. Notably, by standard procedure, before submitting proposals to the Commission concerning regional aids, DGIV would regularly consult DGII who provided the larger economic policy framework⁹⁷ and, principally, relevant data on the situation of the regions for whose development the aids in question were envisaged or had been actually granted. Generally speaking, DGII's contribution was one of placing the examination of specific aids within the framework of the general objectives pursued by medium term economic policy, structural policy for specific sectors and regional policy⁹⁸. DGII believed that this procedure provided a satisfactory examination of the dossiers from the angle of general economic policy guidelines and competition rules as well as from the angle of regional development. In all, it was DGII's responsibility to bring along regional economy aspects in the examination of specific dossiers⁹⁹.

But secondly, the collegiate manner of the decisions of compatibility seems likely to have nurtured an internal unease in the carrying out of the task of surveillance of regional aids. That is, the Commission professed in various instances to have found itself 'in a morally delicate situation' by which, on the one hand, it was charged by the Treaty to conduct a surveillance of regional aids while, in conscience, it found difficult to apply the Treaty rules rigorously, particularly in situations where it considered that positive measures of support were much needed and, on the other hand, where the measures applied at national level brought distortions or entailed overbidding¹⁰⁰. In short, the Commission regretted possessing a power of censure alone. In many instances the Commission declared that it upheld a policy of leniency towards regional and structural aids, for it attached a

⁹⁷ Thus, from a general economic standpoint, for instance, DGII charged against the increase in the importance and volume of national regional incentives on economic policy grounds, for such increase not only threatened the maintenance of the system of competition upon which the common market was founded but it also compromised the intended economic policy objectives ensuing from the laying down of a system of competition. Indeed competition as part and parcel of economic policy ought to reflect agreed economic policy guidelines. Thus, beyond concerns on measurability and incidence, DGII doubted that such an increase in aids to certain industries or to certain undertakings was not impeding adaptation and preventing structural mutations - ultimately the objectives for institutionalising competition as the principle for the organisation of the common market.

⁹⁸ See p. 56 point 38 of Commission, *Deuxième rapport général sur l'activité des Communautés*, 1968, Bruxelles Février 1969.

⁹⁹ Indeed at the examination of the Belgian law of 14.7.1966 one can find DGII intervening in the deliberations of the Commission but adducing regional economic policy arguments.

¹⁰⁰ See p. 23 of Commission, *Mémoire de la Commission au Comité de Politique Économique à moyen terme sur l'exécution du Premier Programme de Politique économique à moyen terme*, Bruxelles 13 mars 1969 [191/III/69].

great importance to the objectives of regional policy¹⁰¹. A cynical view could point that such leniency was rather a tendency to avoid political confrontation or the result of political powerlessness. Whether leniency or powerlessness, it seems nonetheless that DGIV and DGII aimed at superseding the largely 'negative' task of control conferred by articles 92-93 of the Treaty.

From the early days, and in association with DGII, DGIV started collecting cases and elaborating an inventory of regional aids granted within the Community. By June 1965 DGIV had recorded around 450 aid rules other than agricultural aids. This inventory was meant to provide a database from which to be able to withdraw practical policy lessons. But a much clearer step to extend the examination of national regional measures beyond strict competition concerns was made in 1964 with the setting up of an *ad hoc* group of national experts to study the merits of national regional incentives from a Community perspective. It is certainly difficult to know which DG -whether DGII or DGIV- deserves the credit for this initiative¹⁰² but, in whatever case, this group -Group 3- was charged with the mandate to appreciate the efficacy of the various advantages granted for the promotion of regional development¹⁰³. The mandate acknowledged that although certainly measures of aid were examined by the Commission and national experts under articles 92-94 of the Treaty, nonetheless, a common examination of experiences of the advantages granted in each member state would allow both national services in charge of regional development to be able to draw certain lessons to improve the applied means, as well as assist the Commission in revealing what was possible and what was desirable in this policy field¹⁰⁴. Group 3 confronted national measures in general i.e. not solely financial advantages. Notably, it confronted the types of aids employed in each of the Six (capital sums, interest rebates, etc.) and sought to make them comparable; it confronted the criteria for determining regions and areas eligible, the functions of financial advantages (of compensation, of capital provision to enterprises, incentive to localisation or incentive to selection of activities), etc. Finally Group 3 extracted a number of conclusions, including among others: financial advantages, in order to facilitate the adaptation of the industrial structure economic forces, ought to be conceived as temporary and decreasing; aids ought to avoid compensatory support for non competitive activities; and financial incentives had to be proportional to the gravity of the situation upon which they acted; financial advantages alone were not a panacea but had to be coupled with

¹⁰¹ So says H. Von der Groeben, while Commissioner for DGIV, in a speech before the European Parliament. See Commission, *'La politique de concurrence, partie intégrante de la politique économique dans le Marché commun'*, Discours prononcé par Hans von der Groeben, Membre de la Commission de la CEE. Président du groupe concurrence devant le Parlement Européen à Strasbourg le 16 Juin 1965.

¹⁰² This group was one of the three groups set up in 1964 as a follow up of some of the issues raised at the Conference on regional economies of 1961 (point 8.1).

¹⁰³ See the report of Group 3 charged to examine the efficacy of advantages in Commission, *Rapports de groupes d'experts sur la politique régionale dans la CEE, Bruxelles juillet 1964*.

¹⁰⁴ See the account of the mandate by the president of Group 3 -M. Bloch-Lainé- in Commission, *Groupe 3 chargé d'apprécier l'efficacité des divers avantages octroyés pour favoriser le développement régional. Compte rendu de la réunion du 14 Janvier 1963*, [III/865/63].

infrastructure provision, etc. The conclusions of Group 3 were taken up by the I MTEP Programme which, in turn, was adopted by the Council in February 1967¹⁰⁵.

Certainly, the lessons of this exercise of confrontation carried out by the national experts could not be expected to automatically lead to an extension of the capacity of control of national regional incentives beyond the strictly competition terms of the Treaty. Nonetheless, the Commission hoped to bring at the time of the appraisal of individual aids under articles 92-94 the consideration of the merits of national incentives as far as their efficiency and their low incidence at Community level were concerned¹⁰⁶. That is, rather than aspiring to evaluate national regional incentives from a regional point of view, DGIV attempted to be able to issue opinions or recommendations on particular national measures which most deserved financial support, as they either offered the least risks of distortion, or they involved most sensitive sectors where aids to enterprises in particular had the risk of distorting competition or aggravating problems of over-production. In other words, the Commission did not want to lose a chance to make recommendations and observations on regional measures in the name of the common interest and the good functioning of the common market. Thus through routine individual surveillance and decisions the Commission expected to build up a jurisprudence of principles of regional economic policy in conformity with the Community interest.

To recapitulate it all, concerning the confines of the regional concern in the sectoral field of competition, the control of national regional aids, grounded on competition considerations, never implied an intention to pursue regional objectives. In addition, the control of compatibility never resulted in a strict control of the national discretion to run those regional measures that national authorities thought most suitable. By no means were member states ready to renounce their capacity for supporting their regions nor to weigh up national regional problems against a relative severity of regional imbalances across the Community. The resolution of 20 October 1971 proves how far member states were prepared to go in the field of control of national measures. Certainly that resolution on the co-ordination of regional aids improved the capacity of appraisal and, at its most, imposed national authorities to abide by modalities of intervention more sensitively and more easily measurable for competition purposes, but besides the improved capacity to object to incompatible measures by the attaining of a better transparency and a more precise regional delimitation, DGIV and DGII aimed at developing from a body of case law principles of regional aid policy more aware and sensitive with the common market. In other words, by no means did the problems of surveillance of aids lead -in any spillover dynamic- to the consideration of a regional policy for the Community. Certainly DGII and DGIV expected to arrive in a gradual manner to a more accurate definition of the limits of the regional derogation laid down in article 92.3 of the EEC Treaty, but such political step

¹⁰⁵ See chapter VI, paragraph 6 of I MTEP Programme, JO 1564/67 du 25.4.67.

¹⁰⁶ See p. 21-22 of Commission, *Première Communication de la Commission sur la Politique régionale. Bruxelles 11 mai 1965* [II/SEC(65) 1170 final].

found no political support. From the Community responsibilities concerning the accommodation of national regional aid measures with competition concerns arose, at its most, the principles of a common regional aid policy but, in no way, did the problems in the field of control of regional aids lead into the justification of a Community intervention on national regional policies in the form of regional solidarity or in the undertaking of concerted actions of development. Clearly there was no direct justification departing for the surveillance of state aids to accept a regional direction in the application of the control of compatibility, let alone an actual regional intervention.

Finally, how did aid policy concerns feature within the wider perspective of the regional dossier as being led by DGII? As exposed before (chapter I), by 1969 DGII was conceptualising and justifying a substantial regional objective in the context of medium term economic policy, notably, as an instrument towards economic and policy convergence. Side by side with a global structural conception of involvement in regional issues, the surveillance of regional aids appeared to DGII as a sectoral facet of Community intervention and, possibly, a sectoral tool -if a co-ordinated regional policy emerged so that to guide the application of the control of compatibility¹⁰⁷. The truth is that developments in the competition arena and in the field of economic policy co-ordination ran in parallel and hardly met, except on few occasions and for rather tangential reasons¹⁰⁸. Indeed, the fairly narrowly confined terms of involvement of DGIV on regional issues, mostly concerning the shortcomings in the control of regional aids, followed their own rhythm, their own path throughout the late 1960s and 1970s. The resolution of co-ordination of regional aid schemes of 20 October 1971, as well as the subsequent extensions in 1973 and 1975, were negotiated and agreed in complete detachment from developments and internal disputes within the Commission over the contents of the regional policy dossier¹⁰⁹. Such detachment seems to be partly due to the fact that the solution of co-ordination of regional aid schemes -as emerging in October 1971- was, after all, not much more than a fitting (but arduously worked) response to, ultimately, technical difficulties relating to the appraisal of regional aid systems, namely, the lack of transparency of general regional aid systems. Even though following an independent track, DGIV believed, however, that a true solution for the elimination of distortions had to come from beyond the scope of articles 92 to 94, that is, in the acceptance by the Council of a regional objective for the Community. DGIV believed

¹⁰⁷ See also points 137-138 of Commission, *Premier rapport sur la politique de concurrence 1971*.

¹⁰⁸ As it will be seen in chapter IV, only the French delegation deliberately linked and made cross-references to the progress in the field of aids control in the context of the negotiation on the creation of a regional fund. For most delegations, however, this sectoral element of a wider Community regional intervention was solely an aspect of Community competence which could not hamper the progress -nor the commitment- towards a wider involvement of the Community in regional objectives. Also by June 1973 at the time of the extension of the principles of co-ordination of October 1971 to new members the French threatened to disrupt the continuation of the negotiations over the ERDF unless an adequate solution was found to the delimitation of central regions particularly for the UK. See *Europe* No 1309 (new series) Friday 22 June 1973 p.8-9.

¹⁰⁹ Particularly in the early 1970s, the regional policy dossier would undergo internal disputes over two main and alternative conceptualisations by DGII and DGVI, but the agenda emerging from the regional aids dossiers did not affect internal divisions nor the negotiations within the Council. Both issues developed separately.

that to be able to apply articles 92 to 94 satisfactorily the Commission needed, besides a clear delimitation, to have precise information on the situation of regions and on the envisaged regional programmes¹¹⁰. DGIV defended that an optimal control of regional aids could be attained through the examination of the compatibility of programmes -even though programming found its justification rather as an instrument of a more substantial regional objective. Indeed, only a truly Community regional action could effectively eliminate the distortions of competition arising from regionally justified advantages, but clearly in no way would the control of regional aids directly (functionally) imply such a major political step.

10. The regional continuation of a policy for agricultural structures: DGVI and the sectoral swing (1971-1972)

Just as much as DGIV, also the directorate general for agriculture (DGVI) had a fairly specific or sectoral interest on regional issues. The Treaty itself had drawn a connection between the establishment of a common agricultural policy and its regional consequences (point 7) and, at least as early as 1961, DGVI put forward an interest in a regional agenda¹¹¹. Such an interest grew throughout the 1960s and early 1970s as the policy underlying the organisation of agricultural markets increasingly revealed its shortcomings; till, as a matter of fact, for the brief spell spanning May 1971 to the end of 1972, this conceptualisation arising from agricultural concerns took over the regional dossier and replaced the co-ordinates of the global structural conception as put forward in the I Barre Plan.

So, where did the appeal for regional issues reside for DGVI? From the origins of the organisation of the agricultural markets of the Six a disjunctive on whether to opt between a policy based on the remuneration of farmers resulting from pricing, or otherwise, following the British method of direct income subsidies had been posed. The choice for the first option established a common agricultural market where price support was the guarantee of a sufficient remuneration for both farmers and agricultural workers while aiming at sound and productive agricultural enterprises. The British method, on the contrary, was based on the principle of low agricultural prices and on support of the work-force by aids and subsidies. Clearly, the British option was only possible where the percentage

¹¹⁰ Already in June 1965 DGIV was claiming that an ordering of regional aids could only be attained by regional programming. See p. 4 of *La politique de concurrence, partie intégrante de la politique économique dans le Marché commun, Discours prononcé par Hans von der Groeben Membre de la Commission de la CEE Président du Groupe concurrence devant le Parlement européen à Strasbourg le 16 juin 1965*.

¹¹¹ See the defence by Sicco Mansholt of the need to co-ordinate national policies for agricultural structures and thus for the need to establish development programmes -as the degree of agricultural development depended on the economic strength and expansion of the regions- and his calls for the need of a regional policy, for the creation of new jobs in other sectors and for labour adaptation. See p. 10-15, *Intervention de M. Mansholt résumant les travaux de la Commission A, in Commission, Documents de la Conférence sur les économies régionales, 6-8 Décembre 1961*.

of population engaged in agriculture was low (some 4-5% of the total active population in the UK): whereas for a Community, where around 20% of the work-force was occupied in the agricultural sector, the direct subvention to farmers was out of the question. Thus, after a quite short debate the Council of agricultural ministers decided, at the time, upon the establishment of a common organisation of the markets based on a price support policy¹¹². Besides the common organisation of the markets, the CAP was also to cover a policy for agricultural structures which, broadly speaking, was to aim at improving both the structures of production and of commercialisation for the adaptation of those exploitations not sufficiently competitive. A policy for agricultural structures, in principle exceptional in its interventions, seems to have been conceived as consisting of measures to ensure that the 'liberation' of agricultural labour would be accompanied by an adaptation of the structures of production which, in turn, would allow an increase in the revenue of agricultural producers.

Soon however, the objectives of the CAP entered into difficulties, namely, the policy of stabilisation of prices to ensure regular income upon conjuncture and seasonality were resulting into unintended effects, mainly, production was being influenced by the extension of (high price) guarantees, while, at the same time, medium term objectives were being sacrificed to immediate domestic political demands. Where a common organisation was supposed to increase productivity and to integrate agricultural activities into market rules, and while a policy for structures was expected to encourage and cushion the necessary adaptations, the reality was in fact proving quite different. The shortcomings and unintended effects of both a price support policy and a policy for the adaptation of the structures were going to lead to advocate the backing of the CAP with regional development measures.

Indeed, DGVI argued that the problems of agriculture -revealed by the lower incomes of the agricultural work-force in relation to other professions- could not be resolved satisfactorily if measures solely and strictly within the agricultural sector were taken. By 1966 DGVI stated that the problem of agriculture was not solely one consisting of global disparities between sectors i.e. in relation to the non-agricultural sectors, but rather, agricultural reform had to tackle another type of imbalance, namely, the income disparities which occurred both within the agricultural sector - between diverse types and sizes of exploitations- and within agricultural regions¹¹³. Already by 1966 DGVI was advocating for those regions suffering from rural exodus and where the agricultural work force was too large, the abandonment of the practice of isolated agricultural measures and the espousal of combined actions aiming at an integral development of agriculture in a concrete area, at

¹¹² Commission, *Comité de Politique économique à moyen terme, réunion du 21 Mai 1965. Exposé de M. Mansholt: 'Problèmes de la Politique agricole commune'*, [10272/VI/65].

¹¹³ Commission, *Réponse à la question no. 9 et 10*, p.4 November 66 [11019/1/VI/66].

the encouragement of professional and land mobility and, for our purposes, at an active support of regional development by the development of non-agricultural sectors -industry and service sectors.

Not till 18 December 1968 did DGVI submit to the Council a 'Memorandum on the reform of agriculture in the EEC', or otherwise referred as the Masholt Plan¹¹⁴. The Memorandum pursued a deep reform of agricultural structures and, overall, it defended a closer link between agriculture and market dynamics. The dossier contained a report on the situation of agriculture, measures in the medium term for different agricultural markets, the Commission proposals for certain prices for the campaign 1969/70, and a report on the national policies of structures. But particularly to our interest, the Memorandum advocated that the actions to be undertaken for realising the objectives of the Treaty in relation to agricultural revenues and living conditions could not be restricted to solely sectoral actions, but ought to encompass a wider framework, namely, one aiming at employment creation in those regions with a large number of agricultural redundancies.

That the path taken by agricultural reform was heading towards regional development actions as a complement to the reform of agricultural structures was increasingly clear by the late 1960s. But, in fact, such a policy development from the guarantee policy was able to be materialised through various provisions in the regulation which governed at the time the interventions of the Guidance section of the EAGGF i.e. Council regulation 17/64/CEE¹¹⁵. Notably, through articles 15, 14 and 16 concerning the Guidance section of the CAP, it was possible:

- to prioritise co-ordinated objectives in assisted projects (article 15):
 1. Projects which are part of a comprehensive system of measures aimed at encouraging the harmonious development of the overall economy of the region where such projects will be carried out, shall be given priority for receiving aids from the Fund.
 2. The priority referred to in paragraph 1 may take the form of preference over other projects which met the criteria listed in Article 14 or of more favourable conditions for the granting of aid;
- programming was a requirement (article 14):

In order to receive aid from the Fund, each project must simultaneously meet all the following general criteria:

(a) it must come within the framework of a Community Programme laid down in accordance with article 16.

(...)

¹¹⁴ Commission, *Mémoire sur la réforme de l'agriculture dans la CEE* [COM(68) 1000]. Or see supplement to *Bulletin des CCEE* 1-1969.

¹¹⁵ *Règlement 17/64/CEE du Conseil du 5 février 1964 relatif aux conditions du concours du Fonds européen d'orientation et de garantie agricole*, JO 34 du 27.2.64 586/64.

However, for a period of two years from the entry into force of this Regulation, projects which concern a given action may receive aid from the fund even without a Programme covering such action until such a Programme is adopted;

- and article 16 laid down the conditions for the adoption and the contents of programmes:

1. The Council, acting on a proposal from the Commission, shall adopt Community Programmes in accordance with the procedure laid down in Article 43 of the Treaty.

Such Programmes must take account of the measures adopted by the Council within the framework of the provisions of Article 3 of the Council Decision of 4 December 1962 on the co-ordination of agricultural structural policies.

2. Each Community Programme must specify:

- (a) the objective to be achieved and the nature of the projects to be undertaken in accordance with Article 11.1;

- (b) the areas in which action should be concentrated;

- (c) the percentage or percentages of aid from the Fund in each category of projects;

- (d) the total cost and the estimated duration of the Community Programme.

3. Detailed rules of application for each Community Programme shall be laid down according to the procedure laid down in article 19.1 after the Commission had consulted the Fund Committee on the financial aspects.

Yet, a full use of such potential was never made. In particular (by article 16.2 above), from 1966 projects financed by EAGGF Guidance ought to be inserted in the framework of Community programmes, however, due to difficulties in their elaboration, and then in their negotiation, these programmes were never adopted¹¹⁶. While a common policy in the area of agricultural structures was supposed to be elaborated, the Guidance section financed projects responding to the general criteria fixed under regulation 17/64/CEE. At the end of the transitory period no programmes in the terms of the regulation 17/64/CEE had been adopted.

Following the failure to adopt any programme, on 21 April 1970 a new financial regulation 729/70¹¹⁷ replaced the original 17/64/CEE almost wiping out any 'regionalisation' of agricultural structural measures. Articles 14 and 16 were repealed and thus -programming being overthrown- new structural actions were to take the form of 'common measures' as defined in article 6, namely:

1. Common measures decided by the Council in accordance with the procedure laid down in the third subparagraph of Article 43.a of the Treaty in order to achieve the objectives set out in Articles 39.1.a of the Treaty including the structural changes necessary for the working of the common market, shall be financed under the terms of Article 1.3 of this regulation.

¹¹⁶ Commission, *Bulletin des CCEE* 1970-7, p 25.

¹¹⁷ Council Regulation (EEC) 729/70 of 21 April 1970 on the financing of the common agricultural policy. OJ L 94/13 of 28.4.1970.

2. At the same time as it decides on a common measure, the Council shall determine:
 - (a) the objective to be attained and the nature of the projects envisaged;
 - (b) the contribution of the Fund to that common measure;
 - (c) the estimated total cost of the common measure and the estimated time required for its execution;
 - (d) the economic and financial conditions;
 - (e) the necessary provisions concerning procedure.
3. Common measures shall be decided on in the light of the Council decision of 4 December 1962 on the co-ordination of agricultural structure policies.

Thus no requirement of programming nor even of a coherence in a set of measures was made a requirement any more. Besides under the new proposal 729/70 the regionalisation of the interventions i.e. to asymmetrically apply the whole or part of the foreseen measures, or of modulating the interventions according to the regions, modifying the amounts or adapting the conditions of application of the measures themselves (whether applying early retirement to those under 50 or to those under 55 for instance) on agricultural structures turned from a requirement to an option up to the governments' discretion.

Regarding the old article 15, it partly remained in the new article 6.4 but it was retained and made dependent to the financial limits of an annual credit of the Guidance section amounting 285 million u.a. Thus, article 6.4 stated regarding the old article 15 that it:

shall cease to apply when the annual amount for the Community financing of the common measures referred to paragraph 2 reaches 285 million u.a.

In other words, article 15 would be effective and apply within the annual amount for as long as the Community financing of common measures would not exceed a budget of 285 million u.a. per year.

At the beginning of 1971, however, the situation was going to change. The Council was going to make its first political engagement regarding the measures and methods proposed in the Mansholt Plan and, making a political and deliberate step towards the reduction of its active agricultural force, new policy guidelines were going to see a renewed place for regional aspects within the co-ordinated policy for agricultural structures. On 15 February 1971 the Commission presented to the Council a Communication and a project of resolution on the new orientation of agricultural policy¹¹⁸. In the Communication the Commission forecasted that, between 1972 and 1976, possibly about 2 million out of the 10 million employed in agriculture would become redundant from agricultural activities due to agricultural mutations and, according to Commission's calculations, a large number among those 2 million were aged 55 or plus. The Commission proposed in its new guidelines that

¹¹⁸ Commission, Communication and draft Council resolution concerning the new guidelines of the common agricultural policy. Bulletin of the EECC 1971-3, part I, chapter 2.

this large share of the active agricultural population (either being main exploitants or labour force) could, under certain conditions, profit from an indemnity of at least 600 u.a. if they gave up their activities for either modernising their exploitations or devoting their land to non-agricultural objectives.

In the finally adopted resolution of 25 March 1971 (not officially adopted till 25 May 1971¹¹⁹) the Council defined new political guidelines for the EAGGF. Embodying as a premise the indissoluble link between a price policy and a resolute policy of structures, the resolution laid down 'common structural measures' -as defined by regulation 729/70- which were to guide the Community structural interventions. Among three types of common measures were included measures to benefit those wishing to either cease their agricultural activities for the modernisation of their exploitations or for their reconversion into non-agricultural economic activity. Particularly regarding the common measures in favour of those wishing to leave agriculture the resolution stated:

With a view to promoting structural improvement and the transfer of the land, Member States would introduce a system of aid to farmers, whether or not owner-occupiers, on condition that they would leave agriculture and would allow the land they had been farming to be either handed over to farms in the process of modernisation or made available for non-agricultural purposes¹²⁰.

This system of aid would include mainly: early retirement, cash in relation to the area vacated and a system of aid to farmers who wished to engage in an activity other than agriculture. This system would include aid for vocational re-training and a guaranteed income for the period involved. The renewed ESF would contribute to financing vocational re-training measures. It should not be forgotten however, that although by this resolution the Council gave a new political line to the problems of agricultural structures, the Council maintained the arrangements for the functioning of the Guidance section as defined by regulation 729/70. In other words, neither programming nor a regional strategy was compulsory. Common measures were going to be based on Community criteria and would be implemented by means of measures taken by Member states (laid down by law, regulation or administrative action), and member states could, if they wanted to, vary -according to the region- the amount of the financial incentives provided for or, otherwise, refrain from applying in certain of their regions all or some of the measures provided for.

But not only was agricultural reform heading towards a regional continuation in its policy for agricultural structures, in fact, the resolution agreed by the Council on 25 March 1971 claimed explicitly for parallel action in the regional domain in the following terms:

¹¹⁹ Council Resolution of 25 May 1971 on the guidelines for the common agricultural policy, OJ C 52 of 27.5.1971

¹²⁰ Council resolution of 25 May 1971, II.1.(a).

VII: Concerted development of the CAP and of the other Community policies

Rapid progress must be made in developing other Community policies, especially as regards EMU, regional policy and social policy. Such progress would contribute substantially to bringing about agricultural reform.

In particular, the Council is agreed that Member States and the Community should introduce a system of regional development initiative to promote the creation of jobs particularly in areas with a large surplus active farming population. As regards social policy, the new ESF will have to have sufficient funds to contribute to the vocational retraining of farmers wishing to engage in another occupation.

In sum, by early 1971 developments in the agricultural domain were undoubtedly heading towards regional action. Indeed, on the one hand, reform of agricultural structures was increasingly aiming at the reduction of work-force and at the modernisation of agricultural activities and, thus, looking at implementing measures towards the conversion of labour into non-agricultural activities. To this aim the Commission was going to submit on 26 May 1971 concrete proposals (introduction, chapter IV). On the other hand, the resolution of 25 March 1971 was making a call for progress on a regional dossier. In addition, the project of III MTEP Programme categorised the regional impact of CAP as one among the four types of priorities within the problems of common interest, and stated that CAP ought to be articulated with a regional policy which would tend to promote productive economic activities in regions affected by the evolution of the agricultural sector.

Under these winds favourable to a regional agenda (even if solely concerning agricultural priority regions), in May 1971 progress in the agenda of agricultural reform triggered a U-turn in the conceptualisation of a regional task for the Community away from what had been till that moment a gradually emerging logic for the extension of a global structural policy competence. Developments in the field of agricultural reform broke into the regional dossier and set aside the leading conceptualisation of a regional objective until that moment, notably, the one built by DGII which prioritised a regional objective largely conceived in global structural terms i.e. as a contribution to economic and policy convergence. Let us see this shift as well as the place of DGXVI among these policy swings, and the elements of continuity and rupture in the emergence of a regional dossier for the Community.

11. DGXVI's consistent stance throughout the 70s

As seen in point 8, up to the creation of a specific DG for regional policy, DGII was charged with the leadership of regional policy issues¹²¹. Up to 1968 a small division within DGII was in charge of

¹²¹ As a matter of fact, the creation of a specific directorate had already been considered in 1959 by Marjolin - vice-president of the Commission at the time- who understood the set-up of the two groups gathering national

regional development issues which seems to suggest that from the earliest days, and under the umbrella of DGII, regional policy was fundamentally identified as an aspect of economic policy. After the merging of the three Community executives in 1968 DGXVI was created from the fusion of the former administrative units of both the EEC Commission and of the High Authority having an interest in regional aspects¹²².

Looking at both the Note on regional policy and the 1969 proposal¹²³, one can state that from its outset DGXVI's chief conception of a regional objective for the Community was within the orbit of DGII's conceptualisation and in line and fully coherent with the I Barre Plan¹²⁴. That is, from its establishment, DGXVI defended regional policy in global economic terms: regional policy as a structural policy aimed at correcting regional imbalances for the effects on external equilibria and for productivity imbalances threatened the very development of the common market and the approximation of economic policies. DGXVI pictured the task of regional policy within the common market, first, as part and parcel of economic policy and positively as a constitutive element towards the attainment of an economic union.

Then in the early 1970s as the Community moved from economic union to EMU, DGXVI felt at home with a conceptualisation of Community regional competence as a structural component of EMU. That is to say, originally regional policy was not argued for as a requirement for the realisation of EMU, but rather, as a complementary action aiming at approximating the structures for the realisation of an economic union which was at risk -apart from other reasons- from the divergent evolution of the structures of its member states. Certainly, however, there was an internal consistency between global compatibility measures and monetary measures as presented in the 1969 Memorandums, and as EMU made an imperative of convergence, the movement into EMU did not alter the justifications nor the nature of regional objectives as understood in 1969. In other words, the original 1969 proposal remained fully coherent with the upgrading from economic union to a EMU.

But by 1971 not only did the global structural conceptualisation adopted by DGXVI conformed to and was coherent with the EMU Programme, in fact, DGXVI deliberately opted to adhere to the EMU Programme. By 1971 DGXVI endeavoured to define the role of regional action and its justification within the framework of medium term economic policy and as a structural component of EMU. Thus, in October 1971 DGXVI aiming at the raising of deeper causes of monetary instability, unveiled the contribution of regional imbalances on monetary instability as well as elaborating on the

representatives on regional policy and the group inter-services as laying the seeds for a future DG for regional policies. Quote in appendix. See p. 3 of Commission, *Document réservé à l'attention de Ms. Marjolin et Bobba. Objet: Décisions auxquelles il serait désirable d'aboutir lors de la Réunion des Responsables Nationaux des politiques régionales, Bruxelles 10 Septembre 1959* [II/10/BB/2122].

¹²² The first Commissioner for DGXVI was Hans von der Groeben and then replaced by Albert Borschette.

¹²³ That is, the proposal for the organisation of means of action in the Community relating to regional development [COM(69) 950].

¹²⁴ See Cros (1977) *op. cit.*, p. 43.

antagonistic character of regional imbalances for the realisation of economic and monetary objectives (point 6, chapter I)¹²⁵.

Then in May 1971 arrived a cut in what it had been until that moment a consistent emergence and gradual formulation of a substantial regional objective as build up by DGII, and from 1968 by DGXVI. As shown above, through 1971 the agenda of the reform of agricultural structures had been gaining momentum (point 10) while, at the same time, the EMU Programme was entering crisis (point 17.1, chapter IV). In an internal arrangement the College of Commissioners seeing, on the one hand, the reluctance of member states to engage in regional action and, on the other hand, trying to secure the continuation of agricultural reform shifted its original more global regional objective in the context of the functioning of a market and a EMU to a rather sector-dependent logic. The actual Commission's shift is put bluntly by DGXVI's director general at the time:

The new regional policy Commissioner, the Luxembourg (Mr.Borschette) is little inclined to pressurise Governments on the basis of the proposal presented by the DG (i.e. DGXVI's 1969 proposal).

On the other hand, Mr. Mansholt knows very well that he needs of a regional aspect to make his propositions progress. So he offers his colleague to use 500,000,000 u.a. of the EAGGF for regional actions in agricultural regions for a period of 5 years.

Thus arose the propositions of the Commission of 28 May 1971 abusively presented as concrete measures of application of the general propositions of 1969 but in fact being a refutable and regrettable deviation¹²⁶.

Indeed, the Commission saw a chance to materialise the continuation of the reform of agricultural structures by part-financing the undertaking of concrete deliberate actions of industrial conversion there where such conversion into other economic activities was not occurring spontaneously -but rather putting at risk the development of the region as a whole- and thus the Commission made a collegiate decision by which it gave priority to regional actions within the framework of the sectoral objectives of the CAP. Probably it is relevant to note that, after all, the establishment of a common organisation of the agricultural markets of the Six was a constitutional element of the EEC Treaty and arguably the common policy *per se* of the European venture. Not only in budgetary terms but also in terms of the volume of regulation involved for the organisation of the market agricultural policy held a heavy weight on the European agenda.

As DGVI took over the regional dossier, the original 1969 proposal i.e. the first proposal submitted by DGXVI to organise the means of regional policy (see chapter III) was conveniently converted in

¹²⁵ Crucially, DGXVI worked to develop on its contribution to EMU objectives and it expanded on the knowledge of the effects of regional imbalances on the EMU Programme, namely, reporting how structural and regional imbalances were creators and amplifiers of inflation. See Cros Report [XVI/137/71].

¹²⁶ Cros (1975), *op. cit.* p. 41. Original French text in appendix.

order to give the newly agreed priority to agricultural purposes and hence to agricultural regions. Indeed, on 28 May 1971 the Commission submitted to the Council proposals which claimed to lay down the modalities of intervention of the original 1969 proposal. Clearly, the sectoral swing did particularly affect the scope of application of the originally proposed financial interventions, namely, it narrowed down the application of structural solidarity to the particular regional consequences of the common organisation of the agricultural market and hence to agricultural priority regions.

But how was this policy swing received? The European Parliament on March 1972 gave its opinion on the proposals of 26 May 1971. In the Mitterdorfer Report¹²⁷, as well as in its resolution of 16 March 1972, the Parliament criticised the lessening of the regional responsibility decided by the Commission and stated the importance of making of structural regional policy a specific Community task not subordinated to a sectoral policy¹²⁸. Although the Parliament accepted that the two propositions of 28 May 1971 could be considered a first modest step forward towards a Community regional policy, it underlined the importance of the proposals in question, particularly within the context of the reform of European agriculture. At the same time however, the Parliament called for the implementation of the conception put forward by the Council in the first resolution EMU (point 17.1, chapter IV), notably, one according to which EMU would not be realisable without a Community policy on regional structures. In other words, the Parliament demanded that the Commission submit without delay propositions for the adoption of measures of general structural policy.

Although clearly the European Parliament spotted the Commission's policy swing and the consequences for the wider regional policy dossier, it looks as if the European Parliament could not fully escape itself from the dilemma by which the prioritisation of agricultural structures -even if clearly supported- meant the scrapping of a wider regional agenda:

It is important to note that there is a fundamental difference on whether one considers the proposals from the point of view of the economic commission or the point of view of the commission for agriculture. From an agricultural point of view the proposals appear under the cover of the reform of the European agriculture. From an economic point of view they are no more than a first timid step in the direction of a common policy for structures. The Economic Commission ... recommends the Parliament to approve both proposals of regulation for their

¹²⁷ *Parlement Européen, Documents de séance 1971-1972, Rapport fait au nom de la commission économique sur la Communication et les propositions de la Commission des Communautés européennes au Conseil relatives aux actions communautaires de politique régionale dans les régions agricoles prioritaires de la Communauté du 28 Mai 1971, Rapporteur M. Karl Mitterdorfer, 9 mars 1972 [264/71].*

¹²⁸ See point 5 of *Parlement Européen Résolution portant avis du Parlement européen sur la Communication et les proposition de la Commission des Communautés européennes au Conseil relatives aux actions communautaires de politique régionale dans les régions agricoles prioritaires de la Communauté*, JO C 36/28 du 12.4.72.

importance on the agricultural field while it observes that it is not at all convinced that these regulations have a favourable effect on the structural sense¹²⁹.

In fact, the European Parliament produced a document containing separate opinions by the Economic Commission and the Agriculture Commission as well as by other Commissions. Even if the resolution adopted by the Parliament took a more global structural stance, and this position was maintained in subsequent resolutions¹³⁰, nonetheless, the indications of dissent on alternative policy strategies seem obvious.

Clearly, from the perspective of the emergence of a regional concern, the agricultural shift of 1971 broke the continuity of the conceptualisation as originally assembled under DGII's leadership and subsequently followed up by DGXVI from 1968. It seems fair to say, if the words of its director general are to be credited, that such rupture was carried out at the expense of DGXVI's stance who, in spite of the Commissioners' deal of May 1971, did not renounce to its fundamentally global structural understanding of a regional objective and maintained and developed throughout the 1970s the mapping of the relationship between Community regional disparities and the preparation of EMU Programme (Cros 1977). From its creation in 1968 a choice of conceptualisations must have been posed to the new DG; yet the Note on regional policy and the 1969 proposal reveal that from its earliest days DGXVI understood regional policy substantially in relation to its contribution to the realisation of external equilibria and to the necessary economic and policy convergence for the adequate functioning of the common market. By 1971 DGXVI found a coherent and favourable growing environment in the EMU context; but nonetheless, DGXVI failed to assert its stance at Collegiate level as confronted with well-established agricultural interests. In fact, all things considered, there seems to be sufficient evidence to allow us to state that in the years preceding the Paris Summit of 1972 DGXVI had defined a logic and a strategy to win support for a Community regional policy even though that logic was dissenting from Commission's official stance¹³¹.

The tangled interactions between a dominant agricultural agenda and EMU's ups and downs and its consequences on a regional dossier are seen in more detail later on (point 17, chapter IV). Suffice to note now that by the end of 1972, and although some delegations had disputed the sectoral shift of the Commission before this date, this restricted agricultural approach to regional problems for the Community was abandoned and, after the Paris Summit of October 1972, the consistent stance of

¹²⁹ Mitterdorfer Report, p. 9 [264/71]. Original French text in Appendix.

¹³⁰ That is, the resolution concerning the Commission's proposal of 31 May 1972 (see point 14.1, chapter III): *Parlement Européen, Résolution portant avis du Parlement européen sur la proposition de la Commission des Communautés européennes au Conseil relative à une Communication en vue des décisions du Conseil concernant la politique régionale de la Communauté et à une proposition de résolution du Conseil relative à des moyens de politique régionale de la Communauté*, JO C 103/6 du 5.10.72.

¹³¹ See different account by H. Wallace (1977) *Op. cit.*, p.146.

DGXVI was reinstated. Notably, enlargement but also the re-invigoration of the EMU Programme effectively brought to an end a regional agenda subsidiary to agricultural aims.

Conclusions

This chapter has aimed at raising the role of the Commission in the development of a policy competence and at mapping out the process by which various regional agendas found their justification from various policy areas.

To start with, the Commission's input clearly was decisive to the emergence of a regional policy competence. Some literature (Wallace II.1975; Talbot 1977) has discussed the role of the Commission, particularly during the negotiation period of 1972-1975, during which the first decisions of principle for both the co-ordination of regional policies and the creation of financial resources were made. Both commentators have remarked at the highly strategic behaviour of this institution in trying to secure the acceptance by all delegations of a regional competence, namely by building packages and searching for alliances. Indeed unquestionably, from the Paris Summit onwards, the Commission role turned fundamentally into a negotiator; however, a look at the period previous to 1972 reveals that the nature of the intervention of the Commission in the whole process leading to the adoption of the first regional regulations of 18 March 1975 was broader and fundamental than its role of negotiator during 1972-1975. Indeed, in the period immediately prior to the Paris Summit of October 1972 lay a determinant process of construction in which the role of the Commission as catalyst and detonator of a regional objective was central. Concretely, both the formulation and the triggering of a regional objective for the Community were largely a merit of the Commission alone.

As far as the formulation of a regional objective for the Community is concerned, the definition of a regional objective involved a choice among alternative conceptualisations. Indeed, from the early days a range of starting points, a choice among strategies, and therefore between definitions of a regional objective appeared as a real possibility. Various DGs had an interest in regional issues from their particular (sectoral) points of view. The DG for transport was responsible for the consideration of the link between communication axes and development centres as well as for handling regional-type exceptions to tariffs differences and other specific advantages. Social Affairs was interested in regional issues insofar as unemployment and underemployment related to geographical factors such as industrial clusters. For the DG on Internal market the regional issue confined to the conversion of industrial regions in decline and the appraisal of safeguards of article 226. In sum, however, there is no evidence suggesting that these DGs were neither fundamentally involved nor influential in the development of a regional policy dossier.

DGII, DGIV and DGVI disputed among themselves the leadership for the development of a regional policy competence. Although DGIV for Competition and DGVI for Agriculture had through the mid 1960s defined regional objectives strictly linked to the pursuit of their sectoral agendas, by 1968 there came a turning point. Beyond both competition considerations and specific problems of agricultural reconversion, a specific and fundamental conceptualisation of a regional objective for the Community emerged grounded on the scenario of economic divergence of the late 1960s. A substantial structural conceptualisation started up by DGII, and later endorsed by DGXVI, differed from the alternative sectoral strategies in that regional actions were understood from the global perspective of pursuing the convergence of economies and policies of the common market members and, therefore, as a substantive component of a programme aiming at the realisation of economic union. In other words, a substantial difference distinguishes the conception of a regional agenda, as put forward by DGII, and the regional concerns of DGIV and DGVI. While DGII was putting forward a specific regional objective for the Community consisting of an approximation of regional structures, the terms of the agricultural and competition concerns were less a regional objective and rather more a regional dimension in the running of specific (sectoral) policies.

While the domain of state aid control was moving alongside but remaining largely independent in its evolution from the regional dossier, a duality of approaches to proposing regional actions divided the ranks of the Commission. As progress on the CAP and EMU agendas had its ups and downs in the early 1970s, in May 1971 the College of Commissioners opted for shifting away from a global structural definition and instead to define regional objectives in the context of the reform for agricultural structures. This duality of approaches would be settled by the Paris Summit of October of 1972 as a result of progress in the EMU programme and the influence from the first enlargement (point 17.2, chapter IV).

Beyond the fact that the Commission proved to be an institution lacking unity of conception, and divided by alternative strategies pulling in different directions, a review of the internal activity in some of the Commission's DGs shows clearly that from the early days and resting on its power of initiative, the Commission searched deliberately for a regional responsibility. Independently and at its own initiative, the Commission developed the understanding and elaborated on the nature and possible types of regional actions at Community level.

Besides such capacity of building and characterising the equivocal nature of a regional objective for the Community, ultimately rooted in the ambiguities of the Treaty, the emergence of the regional dossier reveals a second decisive capacity of the Commission, namely the capacity of triggering policy expansions. It was clearly the decision by DGII to raise regional concerns in the I Barre Plan which triggered the debate in the Council on the structural aspects of the economic union. Certainly, for its privileged position of proximity to the Council and its committees, the Commission was able to put forward to the Council regional concerns in a direct and unmediated manner. This privileged

position of the Commission (not enjoyed by the other institutions) appears, in the case of the regional dossier, as the decisive factor determining its influence in the development of a regional competence. A thorough study on the influence of the European Parliament on either the definition and negotiation of a regional policy for the Community, from which a comparison against the Commission's impulse of the regional policy dossier could be drawn, does not seem to have been made. Even if the large number of reports and opinions conveys the weight that the Parliament gave to this policy field, there is no evidence, from the documentation collected, that the Parliament's influence had a determinant impact on either the Commission or the Council. Occasional references from commentators can be found in concrete cases of influence¹³² and evidence regarding internal divisions within the European Parliament can be collected but, in any event, neither does the Commission's capacity to catalyse and construct a policy agenda seem diminished, nor can its capacity of triggering the regional dossier be denied. From a comparative institutional point of view, the proximity to policy making bodies, and the unmediated presence at the source of policy definition seems to have been a determinant factor in the launching of the dossier.

The influence of the Commission also involved an element of management. The timing and the policy links to either the unfolding programme of EMU or to the progress in the domain of the reform of agricultural structures were strategically considered by the Commission, and the Commission did not shy from swinging between conceptualisations in trying to gain out from favourable conjunctures in an entrepreneurial manner. The managerial facet of the Commission's influence seems to have been as decisive as the power of initiative i.e. the license/responsibility to be active, to stand independently and build up and shape the contours of a responsibility. Management decisions necessarily concerned the College of Commissioners and, in the case of the emergence of the regional dossier, they set the path and the framework in which negotiations would develop.

All in all, the particular case of the emergence and construction of a regional policy dossier appears largely as the result of a technocratic process, notably a process dominated by the Commission and, comparatively speaking, predominately restricted to the relationship between the Commission, the Council and the Council's Committees. Indeed, not only did the discretionary power of the Commission enable it to choose among alternative conceptualisations and to trigger the dossier in an entrepreneurial manner, determinant to the launch of the regional dossier, but also the formulation and the triggering of the regional agenda occurred in the arena defined by the relationship between the Commission and the Council. Although in the early years the Commission exhibited a receptive open doors policy, and the encouragement of the European Parliament in the background, the actual

¹³² For instance W. Stabenow notes that the Commission followed the European Parliament's suggestion to incorporate into its proposal of 26 May 1971 the possibility that regional financial interventions could take the form of capital grants, as well as interest allowances. See p. 4 of Commission, 'Regional Policy. Summary of a speech by Dr. Wolfgang Stabenow Head of division in the Commission during the Information Conference on the Agricultural Policy of the European Communities' Berlin, 22 January 1973 [X/86/73].

detection and the triggering of a regional dimension occurred in the secluded arena of the preparation of medium-term programmes. Both the attempts of April 1966 by Marjolin in the context of the adoption of the I MTEP Programme, but particularly the decisive raising of a structural and regional facet provoking economic and policy divergence at the time of the preparation of the III MTEP Programme, were both developments behind closed doors, developments from which the Commission was able to influence as a result of its proximity to decision-making centres and its access to vital evidence. Any alternative manner in which the European Parliament would have been able to influence decisively the process of formulation and triggering are difficult to be traced from the research methods been used in this thesis. From archive documentation one can only conclude that there is no evidence that external influence from either the European Parliament, regional authorities or other associations were decisive, even if certainly the European Parliament upheld resolutely a regional agenda from very early days.

Moreover, it can be argued that the Commission's influence from the end of 1972 was less direct and less determinant than in the period before the Paris Summit. From 1973 onwards the success on the completion of agreement depended on a critical mass of governmental support rather than on the Commission's input. Clearly, the Commission's decisive contribution appears more mighty and effective in the form of formulating and triggering a policy dossier that in its bargaining power at the negotiation stages where, as it will be seen (chapter IV), the consent from national governments proved indispensable and where the striking of agreements took place in a bold intergovernmental fashion.

III: THE CORE TERMS OF A COMMUNITY COMPETENCE: POLICY CO-ORDINATION AND FINANCIAL SOLIDARITY

The definition of a fundamental regional objective, as it was formulated by DGII in the context of the preparation of the III MTEP Programme, that is, as an approximation of regional structures for the convergence of economic evolutions and policies of the Six, did not lose its meaning nor its significance in the 1970s. Truly, as the Community moved from economic union to a EMU the urge for the convergence of evolutions and policies was reinforced. However, beyond the meaning and justification of a regional objective to be pursued at Community level, what were the actual terms and instruments that the Commission proposed to gain for the Community in order to pursue effectively such approximation of the regional structures? Essentially, since 1969 the Commission proposed two major strands of intervention: one aiming at the co-ordination of national regional policies and another of concrete involvement in development actions in a concerted manner with national authorities and accompanied by a measure of financial solidarity. The modalities of the intervention of the Community in both strands of intervention were negotiated and refined in accordance to the national reactions throughout the 1970s, and were finally resolved in March 1975 with the adoption of the first regulations on regional policy for the Community. The proposed as well as the finally accepted terms of competence on regional policy by the Community will be the subject of this chapter.

Let us also advance that, while this chapter deals with the core elements and instruments of Community intervention proposed by the Commission as well as their negotiation, the next chapter will look at the wider process of negotiation of a regional competence i.e. within the larger context of EMU and enlargement, at the higher political level through which member states came to accept the principle of a regional objective for the Community.

Introduction: a chronology of the successive Commission's proposals

Although no explicit regional objective was entrusted to the Community by the EEC Treaty, on 15 October 1969 the Commission, based on article 235, adopted a draft Council decision¹ (hereafter referred as the 1969 proposal) which aimed at attaining concrete powers and instruments for the Community in a new sphere of economic policy: regional development. The 1969 proposal was presented to the Council accompanied with a Memorandum (hereafter referred as the Note on regional policy in the Community), even though the Note on regional policy was chronologically

¹ Commission, *Proposition d'une décision du Conseil relative à l'organisation des moyens d'action de la Communauté en matière de développement régionale*, Bruxelles 15 Octobre 1969 [COM(69) 950], JO C 152/6 du 28.11.69.

previous to the preparation of a draft Council decision². The Note on regional policy exposing the broad outlines of regional problems of common interest, the object, the objectives and means of a regional policy for the Community had, in fact, been originally designed -by DGXVI- as a working document to be discussed at a planned *ad hoc* meeting of national representatives to be conducted under DGXVI's auspices. From such an *ad hoc* gathering, DGXVI's director general -H. von der Groeben- expected to rally regional policy ministers into the cause of a Community regional policy³. The original plans for the Note were, however, never carried out due to internal objections within the Commission⁴. Thus, the original purpose of the Note was abandoned and, instead, DGXVI prepared and submitted to the Council on 15 October 1969 a draft decision by the Council which, together with a revised Note on regional policy, raised the urgency to act upon four types of regions and proposed mainly: 1. the elaboration of regional development programmes for priority regions; 2. the co-ordination of these plans through the opinions and recommendations of a permanent Regional development Committee, to be set up too; 3. the creation of two new financial instruments for regional development purposes, namely, an Interest Rebate Fund and a System of Guarantees on loans⁵; 4. and the organisation of information on investment opportunities directed to public and private investors.

Then, while the 1969 proposal was still under Coreper's scrutiny, on 26 May 1971 -in what had already become the first stage of EMU- and having experienced the reluctance of various member states to create new and specific regional instruments (point 11, chapter II), the Commission transmitted to the Council two draft regulations proposing: one the adaptation of a share of the Guidance section of the EAGGF to part-finance regional projects in agricultural priority regions, and a second regulation for the creation of a new financial instrument, namely, a fund to assist regional projects in the form of interest rebates also in agricultural priority regions. Even if the Commission presented both proposals as being in conformity with the regional guidelines of the III MTEP Programme (point 16, chapter IV), and as an action falling and responding to the first EMU resolution of 22 March 1971 whereby the Council resolved to decide on 'appropriate resources' in the first stage of EMU (point 17.1, chapter IV)-, the truth is that the Commission was rather leaning towards a follow up of CAP developments, namely, towards the new guidelines for agricultural structural policy set by the Council on 25 March 1971 (point 10, chapter II). Indeed, trying to gain

² Commission, *Projet de Note sur la Politique régionale dans la Communauté*. [XVI/20926/1/68 rév. et Annexes].

³ Commission, *Projet Note sur la Politique régionale dans la Communauté*. (Note d'accompagnement de M. von der Groeben), Bruxelles 13 Juin 1969 [SEC(69) 2076/3].

⁴ Notably, some Commissioners objected to both an alleged lack of audacity of the Note and also to a likely ineffectual method to gain national interest and backing. Particularly they were Sicco Mansholt Commissioner for agriculture and vice-president at the time, see Commission, *Politique régionale dans la Communauté* (observations de M. Mansholt sur le document SEC(69) 2076/2), Bruxelles 4 Juillet 1969 [SEC(69) 2076/10]; but also Commissioner for development aid H. Rochereau (see p.1-2 of Commission, *Politique régionale dans la Communauté*. Proposition d'amendement au document SEC(69) 2976/2 présentée par M. Rochereau, Bruxelles 20 Juin 1969 [SEC(69) 2076/6]).

⁵ Commission, *Proposition de décision du Conseil relative à l'organisation des moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale dans la Communauté*. Bruxelles 15 Octobre 1969 [COM(69) 950].

from the momentum gathered by the Mansholt Plan, the Commission submitted to the Council two draft regulations directed to the carrying out of regional type interventions specifically in priority agricultural regions⁶.

In the first regulation concerning the financing by the Guidance strand of the EAGGF of projects within the framework of operations of development, the Commission proposed the financing by the Guidance section of three types of measures: first, measures in favour of the creation and expansion of productive investments; second, measures in favour of the provision and management of infrastructures and, third, measures in favour of the re-adaptation and reconversion of the agricultural labour force. Notably, the Commission was proposing to offer private investments a capital subvention of 1,500 u.a. per job created benefiting farmers in agricultural priority regions who left agricultural activities to reconvert into an alternative and sound form of economic activity. On the financial aspect of the adaptation of the Guidance proposal, the Commission calculated that with an annual provision of 50 million u.a. to be put aside for this type of regional actions in agricultural priority regions the existing ceiling for the Guidance section of the EAGGF would not need to be altered; or in other words, that this type of regional common action could be financed while still remaining within the existing financial ceiling for the Guidance section⁷.

But besides the adaptation of existing instruments, on 26 May 1971 the Commission also submitted a regulation laying down the modalities of intervention of a brand new financial instrument: an Interest Rebate Fund. In fact, by 1971 there was a precedent for this type of financial incentive: a system of interest rebates on loans was successfully used by the ECSC in aiding to the reconversion of the coal and steel industries⁸ and such an instrument was perceived by the Commission as an effective and non-onerous system to promote regional development⁹. The technique of a rebate fund -consisting of the trimming of interest points to loans previously contracted with a particular financial institution- basically implied a reduction in the cost of the financing of the programmes for regional economic development and, concretely, the Commission was envisaging to offer reductions of a maximum of

⁶ Commission, *Actions communautaires de politique régionale dans les régions agricoles prioritaires de la Communauté*, (Communication et propositions de la Commission au Conseil), Bruxelles 26 mai 1971 [COM(71) 500 final], JO C 90/17 du 11.9.71.

⁷ In other words, the Commission was proposing 50 million u.a. per year for the promotion of regional projects out of a total appropriation of 285 million u.a. per year of the Guidance section -as laid down in article 6 of Council regulation 729/70.

⁸ In the Commission's words: 'Experience in conversion and retraining gained with the ECSC firms and their use has already proven that the organising machinery is highly successful in economic and social terms. The key to the effectiveness of the measures introduced by the Commission is the interest rebate system. It was because of this system that the more rapid rate of conversion of ECSC plans which began in 1965 was maintained without major difficulty although relatively modest resources were used (2-3 million u.a.)'. See p. 51 of Commission, Note on Regional Policy.

⁹ The idea that the use of the form of interest rebates was a efficient way to financially support investments engaging relatively modest amounts of resources is present in many instances. See for instance Commission SEC(69) 2076/15 p. 6. See original quote in endnotes. Also for the same idea see: *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régional. Projet de rapport du Groupe des questions économiques au Coreper*, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)], or see p.53 of Commission, *Note sur la politique régionale* [COM(69) 950].

three points in the interests contracted by either the EIB or any other financial institution for a period of twelve years. The total budget appropriation for interest rebates was proposed to be the same as for the Guidance proposal, that is, 50 million u.a. per year for a five year period.

Originally in October 1969 the Commission had proposed that this Interest Rebate Fund would apply to all priority regions -as defined by the III MTEP Programme-, but on 26 May 1971, when the proposal defining the modalities of application of such a Fund was effectively submitted, a swing away from the original policy objectives had taken place and the Interest Rebate Fund was made part of the Community package of actions of regional policy towards agricultural priority regions¹⁰ -the latter being generally defined as those regions where the economic evolution was severely affected by the mutations in the agricultural sector and where the active population engaged in agriculture was in large surplus. The Rebate Fund would then intervene in the part-financing of infrastructure investments i.e. general infrastructures as well as those closely linked to economic activities, and in the creation of new and sound industrial, artisan and craft activities in agricultural priority regions. The Interest Rebate Fund would part-finance projects inserted in either development plans or, otherwise, a coherent set of development projects which proved determinant to the economic development of the priority agricultural region in question.

Then a year later, on 31 May 1972, the Commission proposed, also within the framework of the 1969 proposal, the creation of two further instruments¹¹. A project of resolution concerning the means of regional policy for the Community¹² proposed to gain the Council's consent on the principle of the setting up of a System of Guarantees and on the constitution of a Regional Development Company while the Commission promised to submit further formal proposals once the Council had given a preliminary green light of acceptance on these additional instruments¹³. Generally speaking, a system of guarantees was expected to facilitate the financing of investments operations, while the creation of a regional development corporation would target the search for firms and information on investment possibilities in priority areas, technical assistance to investors and the possibility of temporary and minor Community participation in the capital of particularly small and medium enterprises created in priority regions¹⁴. Although both proposals seem to have been largely the consequence of the Italian claims that the proposals submitted by the Commission since May 1971 were insufficient in order to reduce the tensions susceptible to compromise the timely realisation of the economic and monetary

¹⁰ Part of the *Actions communautaires de politique régionale dans les régions agricoles prioritaires de la Communauté*, Bruxelles, 28 May 1971.

¹¹ Commission, *Communication en vue des décisions du Conseil concernant la politique régionale de la Communauté*, Bruxelles 31 mai 1972, [COM(72) 530 final], JO C 94/7 du 9.9.72.

¹² *Proposition de résolution du Conseil relative à des moyens de politique régionale de la Communauté, présentée par la Commission au Conseil le 19 Juin 1972*, [JO C 94/7 du 9.9.1972].

¹³ See p. 6 of Commission, *Communication en vue des décisions du Conseil concernant la Politique régionale de la Communauté, Bruxelles 31 Mai 1972* [COM (72) 530 final].

¹⁴ See p.5-6 of Commission, *Communication en vue des décisions du Conseil concernant la Politique régionale de la Communauté, Bruxelles 31 Mai 1972* [COM(72) 530 final].

union¹⁵, these additional proposals of May 1972 were justified by the Commission as necessary measures in the framework of the resolutions on the realisation of EMU by stages, notably, to give a start of a solution to regional problems through the acquiring of 'appropriate means' (points 17.1, 17.2, chapter IV).

Concerning the creation of a System of Guarantees on loans, although the Commission had proposed the principle of its creation in its 1969 draft decision, the Commission did not submit the actual proposal until 31 May 1972 and, as had happened with the Interest Rebate Fund, although the original System of Guarantees was conceived well before the policy U-turn of May 1971, the actual concrete proposals were submitted once the Commission had swung to a sectoral strategy. In short, the creation of both a Regional Development Corporation and a European System of Guarantees for regional development purposes were also aimed at the tackling of the reform of agricultural structures in agricultural priority regions.

By October 1972 the above set of successive proposals had managed to assemble some degree of acceptance within the Council, but did not find sufficient political will to be finalised and in July 1973, following the mandate of the Paris Summit of 19-20 October 1972, the Commission withdrew all its previous proposals -except the Guidance proposal of 26 May 1971- and replaced them by three new proposals (hereafter referred as the 1973 proposals), notably, a project of decision for the creation of a Committee for Regional Policy and a project of regulation for the setting up of a new and specifically regional financial instrument -the ERDF, together with its financial regulation¹⁶.

A fact distinguished radically the proposals of 1973 from the previous attempts, namely, that the Heads of State or Government had made on 19-20 October 1972 a decision of principle in favour of the co-ordination of regional policies and for the creation of a ERDF. Indeed, when on 31 July 1973 the Commission submitted its draft decision for the creation of a Committee for Regional Policy and the Council regulation creating a ERDF, in principle, what was pending to be resolved were solely the

¹⁵ Indeed the Italian delegation itself had been proposing and advocated the setting up of both instruments at various instances. Italy had first proposed a regional development company in October 1970 [page 18 of Council meeting minutes of 26-27 October 1970 [1954/70 (PV/CONS Extr. 1)]] and insisted in May 1971 [p.24 of *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régionale et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper*, [R/1020/71 (ECO108) (FIN223)]]], in October 1971 [p.18 of *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale*, 14 Octobre 1971 [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2 and p. 16 of *Conseil, Extrait de projet de procès-verbal de la réunion restreinte tenue à l'occasion de la 170ème session du Conseil*, 20 Octobre 1971 [R/2217/71 (PV/CONS/R 14) Extr.1]], etc.

¹⁶ That is: Proposal for a Council regulation establishing a regional development Fund, Draft decision by the Council on the creation of a Committee of regional policy and Proposed financial regulation to special provisions to be applied to the European Regional Development Fund, OJ C 86/7 ff. of 16.10.73.

technical conditions for the Community interventions in either a co-ordinating or a financial function¹⁷.

The ERDF was proposed to contribute to regional development actions by the part-financing -through capital funds and interest rebates- of investments in industrial activities, services and infrastructures (general as well as specific) in regions characterised by either agricultural predominance, industrial mutations or structural underemployment. In the ERDF proposal the Commission proposed to appropriate in total, and for a three year period, 2,250 million u.a. of the budget of the European Communities. That total budget would be divided in instalments and incrementally appropriated, that is, 500 million for 1974, 750 million for 1975 and 1,000 million for 1976.

On the basis of these 1973 proposals, and after a long period of negotiation, the Council on 18 March 1975 laid down, for the first time, the terms of a Community intervention on structural geographical imbalances.

So, given the above brief chronological recap of the successive proposals submitted by the Commission from 1969 until 1975, which were *substantially* the terms of the regional competence proposed by the Commission in 1969, 1971, 1972 and 1973? In fact, rather than entering into a detailed exposition of each of the proposals noted above (annexed at the end of this thesis), this chapter will make a distinction between two major strands of competence -a function of co-ordination and a function of promotion- and will look at how the successive proposals dealt with these two major tasks which the Community finally gained on 18 March 1975. Indeed, the elements of the solution proposed by the Commission to address the objective of an approximation of national structures can be recapitulated into two major strands of intervention: A) a function of co-ordination of regional policies and, B) a function of promotion i.e. of financial solidarity, which was central -but not paramount- to the proposed framework of Community involvement.

A) A function of co-ordination of national regional policies

Although the element of financial solidarity was always the aspect which most caught the time and the attention of policy makers during the negotiation of the Commission's proposals, the fact is that the co-ordination of national regional policies was always seen by the Commission as the indispensable framework upon which financial solidarity rested. Not only had proposals for the co-ordination of regional policies been made before any concrete proposals of financial instrument were forwarded to the Council, but crucially, the Commission itself conceived the function of co-ordination of national regional policies as the element upon which the impact of the actions of promotion -necessarily marginal- would depend on. As a matter of fact, only some aspects of the instruments

¹⁷ The Communiqué of the Paris Conference stated the will of the Nine to adopt all the regulations for the functioning of the ERDF during the first stage of EMU, although the Fund would not be charged with own (Community) resources till passing to the second stage of EMU, that is until 1974 (point 17.2. chapter IV).

proposed to attain such co-ordination of policies proved substantially controversial for national delegations, namely, programming and the institutional place of the Committee for regional policy; but even then, neither of these discrepancies nor other minor ones were ever perceived as insurmountable difficulties.

12. The co-ordination of policies

What was the Commission actually proposing by a 'co-ordination' of national regional policies?

12.1. The proposed meaning and procedures of co-ordination

To begin with, the co-ordination of regional policies was understood as a goal rather than a task. Namely, by a co-ordination of regional policies was meant the organisation of a permanent confrontation i.e. a comparison of national regional policies, of budgetary projections and of regional development programmes so that the Community could arrive in due time -and if consensus emerged- at a co-ordinated policy for intervention on regional structures. All in all, a confrontation of regional policies involving the comparison of actual programmes, objectives etc., was both for the 1969, as well as for the 1973 proposal¹⁸, the lowest common denominator of departure towards a Community regional policy. Indeed, both proposals nodded to the basic political premise that a Community regional policy could only emerge from the detection of common denominators. This gradualist or progressive approach -building up to co-ordinated objectives and criteria for regional intervention- was the only acceptable way forward, particularly for the French delegation, for whom co-ordinated objectives, means of concerted action and overall assessments of regional development in the Community were only acceptable if progressively defined¹⁹.

For both the 1969 and the 1973 proposals, a permanent Regional development Committee was proposed to be the body employed for such elaboration of either a co-ordinated or a truly Community policy²⁰. This Regional development Committee would gather the Commission and national Governments' representatives on regional policy and be the forum where that confrontation/comparison would take place. This Committee would be able to give opinions regarding the comparison and the progressive development of a regional policy for the Community, either at its own initiative or at Council's or Commission's demand.

Such permanent confrontation of various components of national regional policies within the Regional development Committee was justifiable in various grounds, but in particular, in order to

¹⁸ See the preambles of the 'Draft decision by the Council on the creation of a Committee for regional policy', OJ C 86/11 of 16.10.73.

¹⁹ See *Commission, Note à l'attention des membres de la Commission, Objet: 565ème réunion du Comité des Représentants permanents 23/7/1970, Proposition de décision du Conseil relative à l'organisation de moyens d'action en matière de développement régional et note sur la politique régionale de la Communauté, 25 Juillet 1970* [SEC(70) 2884].

²⁰ See articles 8 and 4 of the proposal of October 1969 and articles 1 and 2 of the Draft decision by the Council on the creation of a Committee for regional policy of July 1973.

ensure that the need to approximate the evolution of the regional structures was, first, addressed and, second, that appropriate solutions -for both the Community as well as for national Governments- were given. Indeed, the need to approximate the structural evolutions of the members involved the consideration of structural inelasticities beyond the national context and the attention at the evolution of the structures for the Community as a whole. In other words, the harmonisation of the structures meant an orientation of the structures of each country beyond the national objectives and towards a Community optimum²¹.

But second, appropriate responses ought to be secured; and, clearly, the orientations and the intensity of the actions undertaken by national public authorities in order to accompany or to facilitate structural mutations, to eliminate structural rigidities, at overcoming productivity differences among regions were crucial²². The truth is that the Commission which -mainly through the control of regional aid systems for competition purposes- got to know national regional measures, believed that national regional policies were²³, first, geographically speaking, too extensive in their application, that is, regional policies in most countries covered a very large part of the national population and of the national territory which, ultimately, worked to the detriment of ensuring an adequate and necessary intensity to tackle regional problems where they were most acutely appearing. Second, the Commission considered that the means used by national governments had increased considerably in their intensity, in their width, and in their variety without actually being followed by successful results²⁴, and thus, the Commission considered that regional policies ought to move from a deliberate policy for investment attraction to an actual policy for *aménagement du territoire* i.e. ultimately, to a policy for the equipping of regions. Notably, among a possible range of policy instruments, national regional policies were largely relying on financial aids to attract investment rather than giving a priority to the provision of elementary economic infrastructure for the development of sound economic activities. Third, due to the lack of adequate regional programming the risks of evolution of different sectors had not been adequately foreseen. Public regional interventions had too often adopted an inefficient and case by case approach, relying on obsolete techniques and management methods and often responding to short term political considerations -such as avoiding large redundancies. Fourth, the Commission believed that the structural policies of the member states had put, predominantly, an

²¹ In other words, there was appearing a case for the orientation, the direction of national structural evolutions in a national as well as an optimal Community context, namely, towards convergent national and Community structural objectives. See p. 4 of Commission, *Rapport du Comité de Politique économique à moyen terme sur le Mémorandum de la Commission au Conseil du 12 Février 1969, Bruxelles 10 Juin 1969* [OR II-133/69].

²² Indeed, for the Commission the overcoming of the challenge of divergence for the continuation of the market depended on: the orientations that countries would give to their short term and structural policies, the sensitivity of the national opinions as regards the new dimensions brought along by the Community context, the orientation (or re-orientation) of Community actions in function of these new givens, notably in the field of the structures. See Commission, *Comité de Politique économique à moyen terme, Premières indications sur le contenu possible du Mémorandum de la Commission sur les problèmes que font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres, (Note des services de la Commission), Bruxelles 2 mai 1969* [9000/II/69].

²³ For the Commission's assessment of national regional policies see, for instance, Annexe I to the Commission's *Note on regional policy for the Community*.

²⁴ For some figures on the increase in the intensity of regional aids see point 9.1.1, chapter II.

emphasis on measures of conservation, rather than on actual measures to accelerate the processes of adaptation and of stimulation of new techniques and new productions²⁵. The Commission seems to have started questioning the compatibility of regional policies with the common market, that is, believing that regional aid systems were running at times in contradiction with the principles and the functioning of the market. National measures were not facilitating sufficiently the optimal allocation of factors of production and encouraging structural mutations. Instead, national measures were too often artificially maintaining industries and enterprises where the political costs were at stake²⁶. Thus, national policies were strongholds of inflationary habits and behaviours which, although neither appearing directly nor at all times on the actual national accounts, were, nonetheless, having a direct effect on the evolution of the national economies.

Additionally, a policy for regional structures conceived in the wider context of a global regulation of the supply side would benefit from a permanent confrontation at Community level, in the sense that regional measures ought to be coupled to and consistent with broader economic guidelines. The Commission insisted that the transformation of structures did not solely concern a handful of measures -strictly linked to financial aids to enterprises- but a larger toolbox within the control of Governments: fundamentally market and budgetary tools. Finally, apart from these more substantial reasons for undertaking a common examination of national policies, other particular and specific motives such as the sectoral repercussions of regional measures, the reversing of overbidding, or the development of a co-ordinated disincentive policy could also find treatment in such an exercise of permanent common discussion on regional policy.

Thus, a co-ordination of regional policies meant, first, making member states accept the exposure of their regional development policies and development programmes, as well as their budgetary appropriations, into a Community forum in order to be examined in common. Thus, in the context of a Community forum (i.e. the Regional development Committee) member states ought to be able to compare together, as well as with the Commission, the main following issues:

- the economic perspectives and regional development programmes,
- the regional problems arising from the establishment of the common market and from the implementation of common policies,
- the links between regional policies and budgetary policies,
- the control of regional aid systems i.e. marrying competition with national regional policy concerns.

So, how would such a co-ordination of national regional policies operate and materialise concretely? Back in mid 1969, in fact during the process of drafting the 1969 proposal, DGXVI stated that there

²⁵ See II MTEP Programme and Commission, *Politique économique à moyen terme*, [V/20200/68] p. 11-18.

²⁶ See p.1-2 of Exposé by J. Cros, *Politique régionale et Union économique et monétaire*. In 1971 DGXVI's director general stated that while regional policy in France and in Italy was gradually superseding the dominance of a solely social concern of 'rescue interventions' in backward regions, in Germany and the Netherlands

was a need at Community level to (1) make member states -depending on the case and when necessary- either establish, or complete, or put in practice regional development plans; and (2) to co-ordinate the measures of the member states and to orient them in a Community policy²⁷. In other words, the co-ordination of regional policies would operate through the examination in common of national programmes and materialise in the delivering of non binding opinions.

Programming, or a request for the elaboration of programmes of regional development for (previously delimited) priority regions, meant a request, first of all, for a systematic and integrated approach to regional development away from pure assistance, *ad hoc* and isolated measures inconsistent with the broader general economic policy guidelines. Programming was, therefore, for the Commission, a method of ensuring both coherence among interdisciplinary measures and consistency with Community economic policy objectives.

By regional programmes the Commission meant national programmes on investments, measures, objectives, etc. of regional development, that is, State-approved programmes for the development of their regions. Clearly, the elaboration of regional development programmes would, domestically speaking, differ according to the constitutional structure and administrative systems in each country, and besides, by 1969 not all members were using regional programming as a development method, or at least not in the same manner²⁸. Nonetheless, argued the Commission, due to the urgency of certain cases, the implications for the functioning of the market and the need to approximate economic policies, the Commission ought to be able to recommend the establishment, the completion or the implementation of plans to address particular structural geographical imbalances. As a matter of fact, in 1969 there was already agreement among national policy representatives on both plans (or programmes) being the raw material upon which to carry out co-ordination, and on laying down basic minimal contents of development plans in order to effectively carry out an examination of compatibility²⁹.

regional policy was closely integrated to global economic policy and had become an actual means of a global policy for growth.

²⁷ Thus is exposed by H. von der Groeben in his presentation of the Note on regional policy and the 1969 proposal to the College of Commissioners. See p. 2. of Commission, *Politique régionale (Communication de M. von der Groeben), Bruxelles 7 juillet 1969* [SEC(69) 2076/12]. See original French text in appendix.

²⁸ By 1966 most of the countries had established 'regional programmes' but varying very much in nature: from *ad hoc* action programmes -targeting specific regional problems such as frontier divisions or regional decline-, to multiannual orientation programmes which were recipes of long term intentions based on a previous socio-economic analysis or, at the other end of the spectrum, national economic programming but regionally outlined i.e. for France regional programming was a break down of the national planning system into smaller administrative units. See Annex I to the Commission's Note on regional policy.

²⁹ See the debates and the common denominator conclusions of the 1959 Group set up by Marjolin in their preparation of the regional chapter for the IMTEP Programme (1966-1970). Indeed, by 1966 the group of high ranking civil servants had agreed on the following: 1) that programmes were instruments to facilitate the co-ordination of the means at the disposal of regional, national and Community authorities; 2) the indispensability to integrate these programmes into general economic policy; 3) to ensure the co-ordination of the different regional programmes nationally; 4) to examine and develop a common method for establishing regional programmes; 5) and generally speaking, the desirability that regional policies were confronted and if possible co-ordinated at Community level. On the other hand, there was disagreement on: 1) the way to ensure the accordance of these programmes at national and at Community level; 2) on whether regional programmes as such

Thus, what the Commission proposed to start with in the 1969 proposal, as technically not all member states were using regional programmes, was, rather than drawing up an outline of minimal contents, to try out a pragmatic method by which the elaboration, completion or implementation of programmes would be made on the spot in consultation with Community institutions i.e. in an individual case by case basis and with the participation of the Commission and the Regional development Committee. Concretely, for those countries who had already drawn or established regional plans, these would be submitted to the Commission for consultation. Any other regional measures would also be submitted annually by member states to be examined by the Commission. The Commission would give non binding opinions or recommendations regarding other new initiatives deemed necessary in order to complete or, indeed, establish plans as such. So the decision to establish, to complete, or to put in practice development plans would have to be reached in common, and on a case by case basis, between the Commission and member states individually (article 1.3). The permanent Regional development Committee -who could be called in to join the examination at any time- could also propose or recommend that member states establish plans or complement them with new policy measures. If no common conclusion was reached between individual member states and the Commission about the establishment or completion of the plans, the Commission would still maintain the power to recommend the discussion of these regional plans multilaterally at any time in the future (article 2). In any case, neither the establishment of plans nor the recommendations by the Commission to member states would be binding on member states, and always would be subject to the opinion of national government representatives gathered round the permanent Regional development Committee.

In 1973 the Commission abandoned the pragmatic and case by case approach of 1969 and became more adventurous, by making regional programmes an obligation. The ERDF proposal (article 6) put as a requirement that, after a transition period of two years, all countries would draw up and submit to Community institutions -once again to both the Commission and the Committee for Regional Policy- their regional development programmes. Until the end of that transition period, regional development programmes, or otherwise 'specific regional objectives' where those plans were still not existing, would be communicated to the Commission by member states. For those countries still not using regional programmes, the Commission asked to be informed annually on resources made available -or proposed to be made available- and on the development of the economic and social situation of the regions concerned. The final specific regional objectives would be then defined in consultation between the Community institutions and member states³⁰. On the other hand, for those countries drawing regional programmes some minimal indications on the contents of the programmes were also put forward by the Commission, namely, a regional development programme for a given region would first lay down the development of the socio-economic situation of the region in question; second, the

had to be co-ordinated; 3) on the general outlines of the method for elaborating them in order to achieve a certain degree of harmonisation and 4) on further roles of regional programmes.

measures proposed in respect of infrastructure and the creation of economic activity; third, the intended financing; and fourth, the authorities or institutions responsible for those measures.

The capacity to advocate the introduction of national development programmes for priority regions does not seem a negligible political step since, ultimately, it seems to have sought for a reciprocal engagement among member states to give to Community regional imbalances -insofar as affecting fundamental external and monetary equilibria- a political priority arising from either their damaging effects on the smooth functioning of the common market, or in the early 1970s, for the doubts which were cast on the feasibility of EMU. Second, programming meant that member states as well as the Commission -seating round a Committee for regional policy- would gain appropriate information and knowledge of the domestic regional situation of certain regions and would be able to exchange recommendations on the addressing of national and Community imbalances. In any case, the Commission defended the adoption of programmes at Community level i.e. in consultation with Commission and other member states, not in an attempt to challenge the ultimate national sovereignty of drawing plans for the development of their regions in accordance with their own constitutional systems and administrative practices but, rather, as a method to ensure the attention at Community concerns and the compatibility or the conformity of regional policies and measures with Community objectives. Indeed, Community competence of regional policy was always understood by the Commission as 'complementary' to national responsibility. As it will be seen below, this 'test of conformity' certainly raised objections.

In both the 1969 and the 1973 proposal, the Commission proposed the materialisation of co-ordination by gaining the capacity -for the Commission as well as for any delegation- to be able to formulate -and therefore receive- opinions on the national programmes. Obviously, these opinions would remain strictly within the context of a Community forum created for such purpose, and their acceptance would remain up to the individual members' own discretion.

In the 1969 proposal, the Commission proposed to draw recommendations -bilaterally, but subject to the Committee's approval- regarding the national plans in the light of the realisation of the economic union and also in order to facilitate the necessary co-ordination for undertaking concerted actions. As a result, the Commission would be able to extend recommendations, so that those measures envisaged by member states would converge also towards the realisation of Community objectives, and so that the choices and the priorities taken nationally were organised in a coherent fashion with the necessities of the establishment and functioning of the common market and the approximation of economic policies³⁰. Should no bilateral agreement take place, the Commission's recommendation

³⁰ See p. 40bis of Annex of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régionale, Bruxelles 7 novembre 1973* [2107/73 (ECO266) (FIN 687)].

³¹ Thus goes the fourth recital in the preamble of the 1969 Proposal: 'whereas without prejudice to the obligations and powers resulting for the Member states and the Community (...), steps must nevertheless be taken to ensure that the measures contemplated by the Member states, which are responsible for drawing up and implementing regional development plans, converge along the lines that will help towards attainment of the Community's objectives and that the choices to be made and priorities to be established are organised in a

would be considered multilaterally in the context of a permanent Regional development Committee if the Commission, or the member state concerned, requested it.

So, on which fields did the Commission propose gaining a capacity to extend recommendations or opinions to national governments regarding national plans? Concretely, the Commission was proposing (article 5) the capacity to be able to address recommendations on nationally drawn plans regarding:

- (a) the need for better co-ordination of measures adopted by the Member states, especially in frontier areas;
- (b) Community needs where improvements are made to infrastructures, in particular, communications, oil, gas pipelines, ports, airports, and where natural sites and resources are developed;
- (c) the implications of policy on agricultural structure;
- (d) the demands of industrial policy in the common market and the need to avoid uneconomic production;
- (e) vocational training and guidance needs.

The Commission declared that it would restrict its opinions to the areas of its competence (control of state aids, transport policy, ESF, Guidance section of the EAGGF, EIB) and at the level of the principles that would have motivated its opinions or its recommendations.

The draft proposal creating the Committee for regional policy of 1973 also called for this Committee to examine and deliver opinions on development programmes or, otherwise, on the specific development objectives presented by member states. Less explicitly than in the 1969 proposal, the evaluation and recommendations of programmes would seemingly be linked to the defence of the Community perspective of national development actions, namely, in so far as the submitted programmes would effectively aim at correcting structural and regional disequilibria likely to affect the realisation in time of EMU, and specifically, the conformity of national programmes, or regional objectives, with the objectives of the Community. As a matter of fact, neither the Commission nor the Committee had any coercive force to amend beyond the issuing of recommendations.

Yet, apart from such a (general and non-binding) co-ordination purpose, programmes would also serve as the framework against which individual investment projects would be considered for Community aid, particularly, in respect of eligible regions. Indeed, on the one hand, programmes would guarantee the efficiency and the adequate employment of complementary Community resources, while on the other, submitted projects ought to fall within an approved plan.

manner consistent with the requirements involved in establishing the common market and gradually approximating economic policies; whereas for this purpose a procedure must be arranged which will enable the Commission to gather all the information it must have in order to formulate any recommendations or opinions it deems necessary'.

Moving on from the examination of programmes, multilateral examination was also proposed to extend to budgetary projections. Member states would inform colleague ministers/representatives and the Commission on the envisaged budget allocations for regional purposes³². The Commission thus would be informed of Governments' plans on the width of the financial resources envisaged to be appropriated over the medium term for regional policy actions. Budgetary provisions of member states would be harmonised with the Community and co-ordinated among the Six. Seemingly, the Commission was fearing a misuse and an overcharging of national budgets with uneconomic, isolated or contradictory measures. As seen later on (point 13.2), the Commission gave a heavy weight to this aspect of the co-ordination of national budget policies for public and private investment³³.

Finally, the Committee for regional policy would also work towards a future co-ordination of various aspects of national regional policies, notably, developing a common approach on disincentive measures in regions of heavy concentration, studying the impact of Community financial contributions, and examining systems of regional aid and the problem of overbidding beyond the strict context of competition considerations i.e. the Committee was also expected to provide the forum for consolidating common guidelines on state aid policy aiming not merely at extending competition conditions as comprehensively as possible, but at an optimal and balanced development of economic activities across the union. These additional agendas, apart from the major examination of policies, programmes and budgetary appropriations, were simply listed to exemplify possible tasks to be tackled by the Committee for regional policy.

12.2. The discrepancies in the terms of co-ordination proposed by the Commission

Let us recall (point 8, chapter II), that in April 1966 the Commission, at the time of adoption of the I MTEP Programme, had made an attempt to gain the engagement from Governments to co-ordinate national regional policies but, on that occasion, solely an intention to confront regional policies was recorded. In 1969 co-ordination was defined as a permanent confrontation of national regional policies and so-defined it did not bring up national opposition. As a matter of fact, the 1959 group had already carried out an *ad hoc* and preliminary form of confrontation of objectives, means, instruments and criteria of regional interventions, first under the Commission's presidency and then also under the scope of the Medium-term economic policy Committee in the preparation of the regional chapter of the I MTEP Programme. In other words, from the early stages national delegations accepted the co-ordination of regional policies as a goal i.e. as the result of the reaching of consensus on policy aspects, and they also accepted the common examination of national policies be materialised from regional development programmes and promoted by a co-ordinating committee i.e. a Regional development Committee which would be able to deliver opinions.

³² See article 9 of the 1969 proposal and article 2.d of the draft decision creating a Committee for regional policy.

³³ By July 1969 no clear proposition about how to operate such confrontation had been put forward by the Commission. See point 8 of Commission, *Politique régionale (Communication de M. von der Groeben, Bruxelles 7 Juillet 1969 [SEC(69) 2076]*.

So, if the common examination of policies, programmes and budgetary allocations for regional policy as well as the principle of setting up a co-ordinating committee was an acceptable minimum to all parties³⁴, where were the elements of disagreement among national delegations? Concerning this whole function of co-ordination proposed by the Commission, member states mainly disagreed on some of the terms proposed concerning programming and the institutional place of the Regional development Committee.

12.2.1. The contents of national programmes and the verification of conformity with Community objectives

Before the submission of the 1973 proposals some isolated voice had challenged the establishment of programmes at Community level arguing that isolated projects responding to specific needs could be a decisive contribution to the development of a region and, therefore, that such obligation of programming was unfounded³⁵. However, the real debate on programming emerged at the time of the negotiation of the 1973 proposals i.e. once the decision of principle regarding the creation of new and specific regional resources had been made, and discussions within Coreper concentrated more concretely on the technical modalities of regional interventions³⁶. Various points of disagreement arose among delegations (such as the date from when programmes ought to become compulsory, etc.) but the most substantial discrepancies on the method of programming concerned, notably, the contents of programmes i.e. how extensive and which type of information regional programmes ought to contain, and the scope of the examination of national development programmes at Community level.

Concerning the discrepancies on the essential contents of regional programmes, the Commission claimed that it had never been the intention to define, in neither a detailed nor a homogeneous manner, how regional programmes ought to be elaborated and that, therefore, no rigid definition of programming was to be attempted at Community level; rather, the attempt was one of attaining some degree of approximation of national programmes so that the functions of both co-ordination and promotion could be carried out satisfactorily. Indeed, from the discussions on the EAGGF Guidance proposal all delegations and the Commission understood regional programmes as outline or indicative documents which ought to clearly reveal major objectives and guidelines in relation to Community objectives³⁷.

³⁴ Indeed, already on 25-26 October 1970 national delegations and the Council put forward a positive reaction to a progressive co-ordination and to the creation of a Regional development committee (point 16, chapter IV).

³⁵ In these terms in November 1972 France did not accept that all projects to EAGGF resources ought to be inscribed within more global operations, see p. 4 of *Conseil, Projet du Rapport du Groupe des questions économiques (Politique régionale) au Comité des Représentants Permanents, Objet: Politique régional. Bruxelles 20 Novembre 1972 [T/518/72 (ECO) (FIN)]*.

³⁶ By September 1972 Coreper had still not examined article 3 of the 1969 proposal where the contents of regional programmes were proposed.

³⁷ In other words, no delegation nor the Commission defended to specify in detail how these programmes ought to be established but, rather, to ensure that they could be examined in common, see p. 38bis Annex of *Conseil*.

As seen above, however, the ERDF proposal made a number of precise indications on information which ought to be contained in a sufficiently detailed manner (article 6.3). Among that information, the Commission particularly insisted on sufficient indications on the localisation of the actions, the geographical area and the sectors on which measures would apply and the objectives which drove national measures. But the particular indications proposed by the Commission in 1973 were found to be unacceptable by various delegations³⁸.

Clearly, away from the fact that there was no intention to define the notion of regional programme at Community level, the indications to be made by national authorities conveyed eventually the aspects upon which national programmes would be examined at Community level. So, in which capacity were programmes accepted to be examined? All delegations accepted a co-ordination of programmes in the sense of programmes being the object of consultation within the Committee for regional policy. Also delegations accepted that programmes were instrumental in the procedure for granting Community aid i.e. that programmes, after being approved at Community level, would serve as the framework against which individual projects -eligible for Community funding- and state aids would be appraised. Indeed, the Commission had proposed that in order to be eligible for Community aid individual projects ought to be fall within the framework of a regional development plan or other coherent set of investment projects (article 3 of the Interest Rebate proposal)³⁹. The ERDF proposal also specified that only investments included in regional development programmes or, if lacking, meeting regional development objectives, would be considered for assistance (article 6.1).

Indeed, the evaluation of the coherence of individual projects with national programming in the context of the granting of Community aid was approved by all delegations, but the aspect which caused objection through the negotiations was the evaluation of 'conformity of the programmes with Community objectives'. Notably, the French delegation accepted that national programmes were communicated to Community institutions for information purposes but objected to an evaluation of conformity. What was unacceptable for France was that either the Commission or a Community institution could undertake an appreciation of programmes which were the result of the close collaboration between Government and regional representatives and of a democratic approval by the national Parliament. The Commission's response to the French objection was to stress that Community regional action was conceived as complementary to national actions and that, therefore, there was no intention to control national programmes but, simply, to ensure that Community interventions could effectively realise Community objectives. In other words, national programmes

Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régionale, Bruxelles 7 novembre 1973 [2107/73 (ECO266) (FIN 687)].

³⁸ See p. 36- 45bis of Conseil, Note, *Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régionale, Bruxelles 7 novembre 1973 [2107/73 (ECO266) (FIN 687)].* or p. 32 to 37bis of Conseil, *Rapport du Groupe 'politique régionale' au Comité des représentants permanents. Objet: Politique régionale: proposition de règlement (CEE) n .../... du Conseil portant création d'un Fonds européen de développement régional, Bruxelles 4 décembre 1973 [R/2910/73 (ECO 301) (FIN 743)].*

aimed at correcting national imbalances and Community actions aimed at correcting Community imbalances. The Committee would thus study development programmes from the point of view of being a response to the correction of the imbalances which could prevent a timely realisation of EMU and the Commission would check their conformity with the Treaty objectives. No appreciation of national programmes would take place; rather, it was a matter of ensuring the coherence of Community funded projects with national programmes and of national programmes to be in agreement with Community objectives.

12.2.2. The differences regarding the proposed Committee for Regional Policy

The proposal for the actual creation of a permanent Committee for regional policy as a device for pursuing co-ordination was not disputed. Various precedents of co-ordinating committees established as instruments for embarking on economic policy co-ordination were in place⁴⁰ and, as a matter of fact, a proposal as such for the creation of a committee to undertake co-ordination was rather conventional. The core disagreements regarding the creation of a permanent Committee for Regional Policy resided elsewhere, namely, on its institutional position. As a matter of fact, the acceptance of the principle to create a Regional development Committee had been gained rather early -on 26 October 1970- however, the determination of the institutional form proved a much more problematical process, which by the end of 1973 had still not been solved (see point 16, chapter IV).

Throughout the negotiations three possibilities regarding the institutional attachment of the Committee for Regional Policy emerged as available: a committee under the Commission's presidency, a Council committee or, finally, a committee under national presidency but with the Commission's secretariat⁴¹. In its 1969 proposal the Commission proposed the establishment of the Committee as responsible to the Commission, whereas in the 1973 proposal the Commission conceded to establish it in an analogous footing as the Medium-term economic policy Committee i.e. as answerable to both the Council and the Commission.

The proposal of a Regional development Committee under the Commission's presidency was supported only by Italy apart from the Commission. Italy argued that the Commission ought to be assisted by national representatives in its general deliberations as well as in its elaboration of

³⁹ See Coreper of August 1972. Only France objected, for this delegation had presented an altogether different alternative to the Commission's model whereby simply eligible projects would be submitted to the EIB who would decide upon conferment of resources rather than through the Commission.

⁴⁰ Indeed, apart from committees within specific policy areas (such as the Committee for agricultural structures) or administering committees for the management of financial means (such as the Committee of the EAGGF), or *ad hoc* committees of experts set up temporarily with concrete mandates (Werner Committee), by 1969 various co-ordinating committees under the umbrella of the provisions of article 145 were up and running: among others the Medium-term economic policy Committee, the Budgetary Committee, the Monetary Committee, etc. Indeed, article 145 of the EEC Treaty provided for the setting up of committees whose functions were to contribute to economic policy co-ordination, although the capacity as such to co-ordinate and take decisions in that respect was the Council attribute.

⁴¹ See p.9-10 of *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, 14 Octobre 1971* [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

proposals; and second, no body ought to be placed between the Commission and Coreper in the preparation of the Council's work. But not all delegations agreed with making the Regional development Committee work under the presidency of the Commission. The proposal of presidency of this Committee by the Commission was, to start with, legally awkward, for the proposed Committee was a co-ordinating committee which, on the basis of article 145 of the EEC Treaty, ought in fact, to be placed within the orbit of the Council. Besides the legalistic argument, the presidency from the Commission was interpreted by many as equivalent to granting the Commission a right of initiative. Indeed, to approve a Committee under Commission presidency was understood as meaning that the Commission would be allowed to exert a right of initiative and of proposal in relation to actions to be undertaken by the member states in certain Community regions.

The French preferred a Regional development Committee belonging to the Council which would perform an operational task of co-ordination. Thus, the Committee would examine the policies followed by member states; it could indulge in common deliberations and it could ponder on specific issues at Commission's request without denying the right of the Commission to draw its own conclusions, reports, proposals and participate in the deliberations of the Council. The Commission could also retain the right of, if considered appropriate, convening alternative experts around it to gain opinion and views on regional matters. Opposed to this French stance, the Commission disputed a Committee solely dependent on the Council on the grounds that the tasks of such Regional development Committee ought to be of both reflection on a progressive development of a Community regional policy, and of co-ordination of national with existing Community financial means (EAGGF, ESF, EIB), all of which implied a closer involvement of the Commission.

The German, Belgium, Dutch and Luxembourg delegations preferred a regional Committee in the model of the Medium-term economic policy Committee (point 8.3, chapter II). Incidentally, the Germans specified that since regional policy was one of the elements of medium term economic policy, the Regional development Committee ought to be a subcommittee of the former, even if enjoying a certain independence.

All in all, the decision for the creation of a Regional development Committee became dependant on the disagreement on its institutional place. Unanimously, all delegations accepted that the Regional development Committee would be able to give opinions, or produce reports on a demand from the Council or the Commission, but also at its own initiative; and second, once it was agreed that co-ordination would be reached on a progressive basis no relevant opposition to the tasks to be performed by this Committee was maintained. In fact, the core of the discrepancy in the institutional location of the Regional development Committee seems to have boiled down to a perceived threat of setting up an experts committee which, under a direct Commission presidency, would be susceptible to influence the Council's work directly. Indeed, a regional Committee would advise, prepare and guide the debates of the Council when dealing with regional issues and for France only a Council committee could prepare the Council's debates. Moreover, argued the French, a right of initiative for the

Commission was a threat in another sense, namely, in opening the door to other political voices, since, apart from the larger conciliatory and initiator role, the Commission also recommended the creation of methods for distributing information, engaging and gaining the participation of interested parties in economic development tasks -associations of industry, banks, regional representatives, etc.

This scenario of three possible solutions to the institutional aspects of the Regional development Committee and their respective supporters remained unchanged till June 1972 when the Commission made a first concession from its original position (in the 1969 proposal) and accepted a regional Committee in the model of the Medium-term economic policy Committee i.e. a Committee under Council presidency but under the Commission's secretariat⁴². This concession was presented in the new draft decision creating a Committee for Regional Policy in 1973⁴³ -after having withdrawn the 1969 proposal. The Coreper response to this concession was almost unanimously positive. By November 1973 eight out of nine delegations accepted the Commission's compromise. The French delegation, however, maintained its original position of making the Committee for regional policy only answerable to the Council. There the German delegation reminded the French that the Council intervened in the adoption of the regulation creating the ERDF and that, in any event, at the conclusion of the experimental period of three years arrangements could be reviewed. Besides the Commission argued that the granting of a task of study regional aid schemes worked as an extra reason to attach it to both the Commission as well as the Council.

Point 15 will deal with the settling of these proposals and counterproposals on co-ordination as finally resolved in the 1975 regulations; but let us see before the other major strand of competence that the Commission had proposed since 1969 to be performed at Community level and the arguments being raised.

B) A Community aid system: a function of promotion in the undertaking of concerted actions of regional development

Apart from the function of co-ordination of policies, the Commission proposed another type of intervention once again in an attempt to approximate the regional structures of the members of the common market, namely, to take up, without delay, concrete actions of regional development. Such undertaking of regional development actions was proposed to tackle priority regional problems of common interest and include, on the one hand, an aspect of promotion i.e. a complementary contribution of financial resources from the Community, while, on the other, it involved an aspect of 'technical' articulation between national and Community actions. These two aspects, namely,

⁴² See the Commission concession on p. 4 of *Conseil, Note, Objet: Travaux en matière de politique régionale. Bruxelles 23 Juin 1972* [R/1337/72 (ECO 130) (AGRI 414) (FIN 376)].

⁴³ See article 1 of Draft Decision by the Council on the creation of a Committee for Regional Policy, submitted by the Commission to the Council on 31 July 1973, OJ C 86/11 of 16.10.73.

financial solidarity as such (point 13) and the technical articulation or ‘concertation’ between national and Community aid systems (point 14), proved to be truly controversial.

13. Financial solidarity: a pragmatic and limited function of promotion towards the realisation of EMU

From 1969 DGXVI proposed the creation of specific and brand new financial means for regional purposes, but how did DGXVI justify regional solidarity by the Community in the first place? What was, according to the Commission, the concrete target of a function of financial solidarity performed by the Community?

13.1 Regional solidarity as a requirement for EMU in terms of unburdening disproportionate budgetary efforts⁴⁴

In 1969 the Commission proposed the creation of financial regional instruments to undertake with additional resources the necessary national mutations which put at risk the functioning of the common market. Indeed, as argued before (point 1, chapter I), in the late 1960s it appeared distinctly how significant it was for the continuation of the common market that its members realised external balance and national external equilibria. Unable to quantify (due to a lack of statistical material) the magnitude of the investment expenditure necessary in each of the members in order to achieve a certain structural equilibrium, in 1969 DGXVI could only conclude, for the period 1956-1966, that first, the average annual number of jobs to be created in the Community was around 1 million per year; second, that by comparison with the previous period, the number of jobs needing to be created would increase; and, third, that there appeared to be a tendency towards an increase in the costs of the equipment and in the costs of labour formation involved for each job to be created. Fundamentally, the Commission was warning that the volume of investments needing to be undertaken in various regions of the Community, so that a relative competitiveness of the economies of the countries forming the common market could be harmonised, ought to be higher than those undertaken in the past⁴⁵; and thus, the Commission was calling upon national authorities to address the need for supplementary efforts and to face tough budgetary choices in order to act upon the correction of the largest disparities.

Unlike in 1969, on 19 October 1971 the Commission was able to quantify the supplementary efforts that some countries ought to implement both to ensure the continuation of the common market and to prepare the conditions for the realisation of EMU which had been launched in early 1971 and was

⁴⁴ The Cros Report is probably the most clear exposition of DGXVI's understanding and justification of regional solidarity: Commission, Regional Policy and economic and monetary union Geographical disequilibria in the light of the implementation of fundamental economic equilibria, Study by DGXVI, Brussels 19 October 1971 [XVI/137/71].

⁴⁵ See Commission, Note on regional policy, chapter IV: point A. Towards a more rational financing, pages 45-49, or p. 44-49 in *Note sur la Politique régionale* [COM(69) 950]. This same core analysis was taken further and quantified in 1971 in the Cros Report p. 39-55.

expected to be completed in 1980. The magnitude of the resources to mobilise, by both the Community and by the member states, in order to reach by 1980 an adequate balance between supply and demand sides which would permit to proceed to the fixing of currency values was, for the first time, quantified, and also the disproportionate nature of the national efforts to reach such balance was clearly unveiled.

Methodologically speaking, working out the approximate volume of resources to mobilise was tackled by embarking on an estimation of the figure of new employment needing to be created for the period 1970-1980, that is until the final stage of EMU, where a certain structural equilibrium had to be reached. The Commission put forward an estimation of the number of jobs to be created in both less developed regions and declining regions, as well as pinning down the figures of both the necessary private investments which such a job creation entailed, and also the public incentives which would be required in order to attract private investments to those regions. The figures of the optimal annual private investment were then compared with the actual net private investments realised in 1970 in order to reveal how close countries were to meeting the target. This same analysis was extended in 1973 to cover the enlarged Community⁴⁶.

On the one hand, concerning the figures of supplementary private investment necessary for both less developed and regions in decline, in the case of Italy, a figure of close to 40% increase was given -as opposed to a 12% annual increase for the Community as a whole. In other words, DGXVI's figures displayed a particularly large gap in the volume of private investments to be made for the purpose of developing less developed and declining regions until 1980, particularly so for Italy and Ireland, while a relatively important gap and a tangible one appeared for the UK and for Denmark respectively⁴⁷.

On the other hand, the quantification of the necessary annual supplementary public effort to be made in terms of direct aids to investments and infrastructure provision in order to cover the initial job-creation figures, displayed an enormous gap between ideal and actual public investment provision for Ireland, a considerable gap for Italy and a noticeable one for France and Denmark⁴⁸. The Commission drew a number of conclusions: most prominently, both private and public investments directed towards the attaining of a structural equilibrium of the economies forming the common market and the EMU ought to increase not only everywhere but, particularly, the necessary national effort

⁴⁶ The analysis for the Six can be seen in the Cros Report (p. 39 to 53) or, otherwise, in Commission, *Exposé de M. Jacques Cros, Directeur général de la Politique régionale à la Commission des Communautés Européennes, lors du Deuxième Symposium Européen de Management à Davos le 25 Janvier 1972, Politique régionale et Union économique et monétaire*, p. 21 to 24. For the data enlarged to cover the Nine see Cros, *Les déséquilibres régionaux dans la CEE*, p. 165-172.

⁴⁷ The volume of private investment necessary for developing the less developed regions and declining regions in the Community was estimated at 8 thousand million u.a. at 1970 prices, or otherwise a nearly 12% of the actual investments effected in 1970. Concerning the necessary supplementary effort to be realised by the Nine the figures were the following: Belgium (4,6 %), Denmark (10.1 %), Germany (2.5 %), France (6.1 %), Ireland (29.3 %), Italy (39.5 %), Netherlands (3.8 %), United Kingdom (17.2 %), EEC (11.5 %). See p. 170 of *Les déséquilibres régionaux dans la CEE*.

⁴⁸ Notably, Belgium (8.9 %), Denmark (37.2 %), FRG (5.7 %), France (44.4 %), Ireland (339.0 %), Italy (182.3 %), Luxembourg (31.8 %), Netherlands (7.2 %), UK (18.3 %), EEC (35.8 %).

appeared as enormous in some countries. Indeed, the effort to be undertaken by all the Six was not only asymmetrical but clearly disproportionate as for Italy and Ireland particularly, the budgetary effort was hardly comparable to the rest of the countries.

Yet, the problem was not solely the fact that an analysis of the necessary supplementary effort in order to realise EMU in a decade gave a disproportionate picture for, after all, that disproportionate picture was simply reflecting the intensity of the regional imbalances. Rather, the problem of the disproportionate effort had to be seen in the context of both market conditions and the recently assumed EMU disciplines. Indeed, the attempts to implement (nationally) such disproportionate supplementary need for investments was likely to open breaches in the functioning of the common market and on EMU engagements; or in DGXVI's words, nationally speaking,

these resources cannot be mustered by an increase of prices if their economies have to remain competitive and their monetary parities fixed by comparison with those of their partners.

Mustering these resources by means of pressure on incomes, such as increased taxation, checking the growth of remunerations, maintenance of longer weekly, annual and professional working hours for an equal remuneration, very rapidly comes up against obvious political and social limits. Indeed, the common market aims to disseminate information on standards and conditions of living, thus facilitating a harmonisation accompanied by progress. Furthermore, the free circulation of workers already, and the freedom of establishment gradually, show that perceptible differences in the income conditions are not accepted in the long run. The phenomenon, which is already very sensitive to frontiers, could be extended if the disparities were to be accentuated: this would be the case if each Member State were to make independently, while maintaining its prices and currency, the necessary investment effort for the re-balancing of its economy, a re-balancing which is itself indispensable for the internal equilibrium of its economy as well as for the economic equilibrium of the Community as a whole⁴⁹.

In sum, comparatively speaking, the effort to be made in some cases regarding private and the subsequent public investments was clearly disproportionate; but especially because the implementation of such disproportionate supplementary investments was likely to create among the economies of the member states distortions incompatible with the common market and with the functioning of the EMU, a degree of financial solidarity to unload the budgetary burden of some countries was inescapable. Indeed, it was the confluence of both considerations -the disproportionate effort and, at the same time, the keeping, particularly, of the EMU disciplines- what called for financial solidarity.

Consequently, argued the Commission, Community financial interventions in the immediate future ought not to target a general correction of structural regional imbalances but, rather, aim at the correction of the largest structural distortions and, thus, aim at lightening the financial charge of those states which had to face, comparatively speaking, the heavier budgetary loads. In short, the

⁴⁹ Cros Report p. 53 [XVI/137/71].

relative weight of the Community support ought to be drawn from the severity of the regional imbalances and from the financial capacity of what was possible to be put into effect in each member state. This argument would be fully endorsed in October 1972 by the Paris Summit:

The Heads of State and Government agreed that a high priority should be given to the aim of correcting, in the Community, the structural and regional imbalances which affect the realisation of Economic and Monetary Union.

(...) Intervention by the Fund (ERDF) in co-ordination with national aids should permit, progressively with the realisation of Economic and Monetary Union, the correction of the main regional imbalances in the enlarged Community (...) ⁵⁰.

For these EMU-minded purposes, the Commission proposed in July 1973 a total allocation for regional purposes of 2,400 million u.a. -of which, 2,250 u.a. would correspond to the ERDF appropriations for the three year period 1974-1976 and 150 million u.a. would be provided from the Guidance section of the EAGGF. Ireland, Italy and the UK were going to claim the insufficiency of these resources.

But, was the Commission simply proposing net sum transfers to national Governments as a form of readjustment -or side payment- among member states in the manner that the Cohesion Fund would operate from 1993⁵¹? The Commission understood that side-by-side with the actions of financial promotion the guarantee for an efficient addressing of regional imbalances in the Community resided in a parallel capacity to co-ordinate budgetary policies and in the elaboration and co-ordination of development programmes.

13.2. Marginal solidarity and budgetary policy co-ordination: actions of promotion versus actions of co-ordination

Before entering into the actual proposals materialising financial structural solidarity, let us consider comparatively speaking, the weight of the function of solidarity within the wider framework of regional competence that the Commission was proposing for the Community. A distinction has been made so far between financial solidarity and a competence of co-ordination, but what was the relative weight of both strands within the overall proposed Community response towards the correction of structural geographical distortions?

From 1969 the Commission took a pragmatic or realist approach to the actions of promotion that the Community was able to undertake beyond member states' regional actions. That is to say, for the Commission, Community means, compared to the wide range of means at the disposal of national

⁵⁰ Point 5 of Final Communiqué of the Conference of Heads of State and Government, Paris 19-21 October 1972.

⁵¹ Indeed, the European Council at Maastricht in 1991 agreed the establishment of a Cohesion Fund to assist less-developed member states to achieve the convergence criteria required for EMU. From 1993 the Cohesion Fund works as a transfer of grants operating independently of the Community system of aids set up for the operation of the various structural Funds and redistributes resources directly to States' coffers.

authorities, could only be understood as supplementary financial contributions to the national efforts⁵². The quantification of the budgetary efforts in 1971 re-confirmed this position for, indeed, given the vast estimated sums of both new private investments, as well as the further public investment needs, and considering the existing Community means -in comparison with national competence-, the Community contribution to the correction of regional imbalances could only be -quantitatively speaking- marginal in relation to national actions.

Yet, even if admitting that for the first stages of EMU structural solidarity had to be quantitatively marginal, the Commission did not renounce the aim of Community financial intervention having an effective impact. Such impact had to rely, according to the Commission, first, on restrained ambition, that is, rather than targeting the vast correction of existing geographical imbalances across the Community, solidarity ought to aim at the unloading of those countries with the heaviest public investment needs so that distortions and unilateral actions incompatible with the common market and the functioning of EMU could be prevented, and thus, paving the way for the implementation of the necessary intervention measures; but second, the Commission saw the complementary nature of Community resources as making a material contribution if, and only if, they were co-ordinately managed or, in the words of DGXVI's director general,

whatever the weight of the Fund is, given the global amounts to be put into effect for regional actions, its interventions are marginal and, in any case, dependent on the success of the co-ordination to be organised at Community level⁵³.

In other words, the co-ordination of national policies for both private and public financing were 'eminent domains of co-ordination of policies at Community level'⁵⁴, that is to say, the impact of Community action depended on the wider framework under which Community financial support was placed. An effective Community response could be given to such a situation of shortage of public and private investments in the most needed areas if co-ordination among national Governments in both private and public investment policies was attained.

So, according to the Commission, regarding the shortage of private investments, the Community was able to put a large policy of loans at Community level. Thus the Community could contribute to the nurturing of private initiatives by organising, at Community level, both a large policy for loans and an information network for private and public investors facilitating the perception of investment opportunities in less developed regions. On the other hand, the use of the EIB's structure, coupled with an expansion of EIB's activities, could effectively have an impact on the enormous need for private investments.

⁵² The Commission Memorandum of 15 December 1969 already notes the disproportionate load that involved for some countries to undertake substantial structural adjustments. See point 7, p. 6, [COM(69) 1250].

⁵³ Cros (1974) *Op. cit.* p. 172. Original French text in appendix.

⁵⁴ Cros (1974) *Op. cit.*, p. 171.

Regarding the need for public investments, Community action was also clearly marginal. Yet, Community involvement could have a real impact if it contributed to an effective use of the limited public national and Community resources, particularly by engaging into a co-ordination of budgetary policies and adopting programming methods. Indeed, the need to increase the volume of public investment in very high proportions in some cases not only raised clear considerable budgetary dilemmas, but raised the importance of a reciprocal examination of budgetary appropriations for regional policy purposes. In fact, the EMU Programme had laid down that in the first stage of EMU national budgetary policy -being an instrument of a policy for price stability and growth- had to be conducted in accordance with Community objectives⁵⁵. All in all, the Commission was calling for an internal re-organisation of public finances and advocated for their more rational utilisation which would give a stronger consideration to the imperatives of structural mutations⁵⁶. Indeed, the large amounts of private and public investments needed seemed to lead to a certain directing of national public finances and thus, article 9 of the 1969 proposal and article 6 of the draft decision creating a Committee for regional policy of 1973 aimed at an evaluation of the state's budgetary projected appropriations for regional policy actions in the framework of the Committee for Regional Policy and as part of the progressive building up of a co-ordinated response towards structural geographical disparities. The Commission was heading towards a co-ordination of national private and public budgetary policies and decisions.

Besides budgetary co-ordination, the Commission also pointed out that the success in the undertaking of concrete concerted actions of either promotion and location of investments or infrastructure provision supported by Community resources rested on the satisfactory organisation of a concertation of national and Community actions, i.e. it was resting on the method of programming. As seen before (point 12.1), the establishment and the examination of programmes within the Committee for regional policy aimed at ensuring the consistency of national projects with Community objectives.

In sum, the Commission not only considered financial solidarity as necessarily marginal to national means but, in fact, the Commission seems to have pictured the strand of financial solidarity as dependent on a more central and essential intervention of co-ordination. The main instruments of

⁵⁵ The final Werner Report calls for the co-ordination and harmonisation of budget policies. 'According to the economic situation in each country quantitative guidelines will be given on the principal elements of the public budgets, notably on global receipts and expenditure, the distribution of the latter between investment and consumption, and the direction and amount of balance. Finally, special attention will be paid to the method of financing deficits or utilising surpluses. To facilitate the harmonisation of budget policies, searching comparisons will be made of the budgets of the member states from both quantitative and qualitative points of view. From the quantitative point of view the comparison will embrace the total of the public budgets, including local authorities and social security. It will be necessary to evaluate the whole of the fiscal pressure and the weight of public expenditure in the different countries of the Community and the effects that public receipts and expenditure have on global internal demand and on monetary stability. It will also be necessary to devise a method of calculation enabling an assessment to be made of the impulses that the whole of the public budgets impart to the economy. See p. 19 'Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community', Luxembourg 8 October 1970, *Bulletin of the EECC*, Supplement 11-1970.

⁵⁶ More concretely, the Commission charged against the excessive weight in national budgets which coal and railway industries as well as the agricultural sector retained. See page 48, *Note sur la Politique régionale*, [COM(69) 950].

action for regional development at Community level were -in order- first, the organisation of coherent and important development programmes determinant to the economic development of the regions in question; second, an action of co-ordination to make Community means to contribute in their sectoral specificity to the realisation of national programmes, and only third, the favouring of capital influxes towards priority regions whatever their form -either through the EIB, or a form of interest rebate or through capital sums⁵⁷. Thus, it is not only incorrect to narrow down the proposed terms of intervention to an action of financial solidarity, but in fact, that view was actually opposed to the Commission's proposals. Indeed, the Commission was proposing the undertaking of both actions of promotion and of co-ordination, and it was precisely in the co-ordination of budgetary policies and regional programmes where the impact and the contribution of the Community intervention was expected to reside, that is, rather than in the actual financial resources which in comparison to both the needs and national resources could only be marginal. In short, it was precisely to the bulk of the intervention of co-ordination where the Commission seems to have given most weight.

13.3. Degrees of regional solidarity: the debate on the sufficiency of the existing means

The reluctance and opposition from some delegations to put in place new and specific means to cover the regional needs for an adequate functioning of the common market and the timely realisation of EMU, turned the debate on the creation of new instruments into an analysis of the potential of existing means to be adapted for regional development aims. In fact, the original 1969 proposal had not made any proposal in this respect (i.e. for the adaptation of existing means), but rather had directly advocated the setting up of new and specific means for regional development purposes. From 26-27 October 1970, however, those delegations less keen to accept regional solidarity opposed the creation of new financial instruments devoted specifically to regional purposes arguing that any decision for the creation of new means was premature without having proceeded to an adaptation of existing means (point 17.1, chapter IV).

But what was the potential regional edge of the existing financial means? Following the Council's mandate of 26 October 1970 the Commission embarked on such a study and analysed the existing financial instruments (the EAGGF, ESF, EIB, and articles 54 and 56 of the ECSC Treaty by 1970) from the point of view of their potentials and their shortcomings for a regional use in a concerted manner with national means⁵⁸. Below we use the Commission's examination to illustrate the potential

⁵⁷ See Commission's intervention: p.31 of *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, 14 Octobre 1971* [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

⁵⁸ The document produced by the Commission was addressed to the Council by letter of 5 December 1970. That is: Commission, *Rapport sur les moyens financiers pour le développement régional*, Bruxelles, 27 Novembre 1970 [SEC(70) 4377].

of existing financial means and to review the debate on the sufficiency of existing financial instruments to cover regional purposes appropriately⁵⁹.

a) The European Agricultural Guarantee and Guidance Fund (EAGGF)

To start with, what was the potential and the downsides of the EAGGF -both Guarantee and Guidance section- for a regional use? The Guarantee section of the EAGGF aimed at securing the topping up of producers' incomes after the setting, across the agricultural market, of common prices for several agricultural products. A regionalisation of the Guarantee section as a measure of advantage for problem regions, that is, establishing variations in prices within the market, was judged as clearly counterproductive to a system resting on a level playing field, as well as being detrimental to what was perceived as necessary structural adjustments. The Commission recommended, however, that by establishing a certain hierarchy in prices for different products, regional objectives could be indirectly assumed. In its opinion regarding the shortcomings of the EAGGF⁶⁰, Coreper also stated that the Guarantee section was an instrument of regulation of the markets which ought not to be used for regionalising the CAP.

However, apart from guaranteeing sufficient revenues for the agricultural work-force, the CAP also covered a policy for agricultural structures accompanied by a financial envelope i.e. the Guidance section of the EAGGF. It was, particularly, in the operation of the structural side of the CAP, namely, in the tackling of those situations where the common organisation of the agricultural market and the free movement of agricultural products were neither increasing revenues, nor improving the living conditions of producers, where the Commission believed that Guidance resources could be mobilised and effectively contribute to parallel sectoral and regional objectives. Clearly the object of the Guidance intervention -and therefore the projects eligible for Guidance support- were duly sectoral; yet, the modalities of intervention of the Guidance section ought to take into account the diverse structural and natural conditions of agricultural production.

As seen before (point 10, chapter II), the modalities of intervention of the Guidance section of the EAGGF were first laid down in 1964 by the Council regulation 17/64/CEE, yet this regulation was replaced in April 1970 by the financial regulation 729/70⁶¹, which established new rules for the Guidance section interventions. In the new regulation, old articles 14 and 16 of regulation 17/64/CEE

⁵⁹ Coreper reviewed the Commission's 'Report on financial means for regional development' and exposed its own conclusions in pages 11- 16 of *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, 14 Octobre 1971* [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

⁶⁰ See p. 15 of *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régionale et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971* [R/1920/71 (ECO108) (FIN223)].

⁶¹ Council Regulation (EEC) 729/70 of 21 April 1970 on the financing of the common agricultural policy. OJ L 94/13 of 28.4.1970.

-that is, the requirement of programming- were wiped out⁶². The new regulation settled that new structural actions were to take the form of 'common measures' to be decided by the Council from a proposal by the Commission (article 6)⁶³. Although new guidelines for the CAP had been put forward in the Mansholt Plan and concrete proposals were made⁶⁴, all in all, by November 1970 the operation of the Guidance section in conjunction with regional objectives was limited to the narrower possibilities offered by the new article 6.4 of regulation 729/70 -which retook the old article 15, even if setting a concrete financial ceiling- which prioritised projects with co-ordinated regional and structural objectives⁶⁵. Therefore, from April in 1970 the potentiality of the Guidance section to target sectoral as well as regional purposes was only feasible from an articulation of agricultural and regional objectives as provided for in article 6.4 of regulation 729/70.

But the Commission also proposed in its report a much more far-reaching route, namely, the insertion of a policy for agricultural structures into a wider elaboration of regional development programmes for the Community. The Coreper's report on financial means concluded that, through the articulation of agricultural and regional objectives, the Guidance section could contribute to the solution of certain problems of regional development, notably, on the basis of the new CAP policy guidelines adopted by

⁶² As already seen (point 10, chapter II), under this regulation (17/64/CEE) structural operations were already regionalised in two senses. A first sense of a regional approach of a policy for agricultural structures resided in the priority accorded to projects which were part of a set of measures aiming at developing a given region (article 15). In other words, through sectoral measures the development of certain regions could be facilitated, notably, by the selection of operational objectives both agricultural and regional. A second sense, in which a certain regionalisation of the Guidance interventions was already in place, consisted of the requirement (in article 14.1.(a) but not entering into force till 1966) to insert the projects eligible to be supported by the Guidance section in the framework of Community programmes. That is, projects financed by the EAGGF ought to be compulsorily inserted in the framework of Community programmes and, besides, these Community programmes would specify the zones of special effort among other stipulations (the latter laid down in article 16). Co-ordinated Community programmes for agricultural structures could then be drawn bearing in mind areas with special need. This latter provision of articles 14.1 and 16 was, however, never used. The Commission submitted to the Council a proposal delimiting the areas of special effort which was never adopted by the Council. In their absence, the Guidance section financed projects -rather than programmes- responding to the general criteria set up in the regulation of 5 February 1964. In the end, rather than orienting structural transformations, Guidance section financed particular projects of member states effectively missing a true Community policy of agricultural structures.

⁶³ See *Bulletin of the EECC*, 7- 1970, p. 25.

⁶⁴ In May 1970 the Commission submitted to the Council five projects of directives and one project of regulation all concerning the reform of agricultural structures which put into practice the essential principles of the Memorandum on the reform of agriculture (Mansholt Plan) adopted by the Commission in December 68. Notably: *Proposition de directive concernant la modernisation des exploitations agricoles; proposition de directive concernant l'encouragement à la cessation de l'activité agricole et l'affectation de la superficie agricole utilisée à des fins d'amélioration des structures agricoles; proposition de directive concernant l'information socio-économique et la qualification professionnelle des personnes travaillant en agriculture; proposition de directive concernant la limitation de la superficie agricole utilisée; proposition de directive portant dispositions complémentaires à la directive 1 et 2; proposition modifiée de règlement concernant les groupements de producteurs et leurs unions*. *Bulletin des CCEE* 6-1970 p. 22. The proposals attempted a regional differentiation in the interventions of the Guidance section. Notably, they made compulsory either a modulation of sums of support or the exclusion of certain areas from support, and demanded the member states expose the link between the economic situation and the characteristics of the agricultural structure of the region in which projects applied for support and the measure as such. Not really programming but the Commission was asking for the insertion of action in the agricultural structures to be inserted into a wider action of regional development.

the Council in its 146th session of 22-25 March 1971⁶⁶. Yet, Coreper did not share the second more comprehensive conclusion reached by the Commission.

Thus, the first route, consisting of the formulation of operational objectives, was going to be followed up by the Commission on 26 May 1971 with the submission of the proposal for the use of a fraction of Guidance resources for operational -regional as well as sectoral- purposes. Notably, the Commission proposed the Guidance section to contribute to the part financing of projects within the framework of development operations for the creation of non-agricultural jobs in priority agricultural regions⁶⁷.

b) The European Social Fund (ESF)

What was the potential of the ESF to address regional objectives? Article 123 of the EEC Treaty stated that the ESF had as mission to promote, within the Community, the employment facilities and the geographical and professional mobility of labour. In principle, therefore, the potential contribution of the ESF for regional development purposes was possible from the point of view of being a measure 'cushioning' the implementation of Community sectoral policies in regions facing difficulties in terms of job creation and geographical and professional mobility. However, the functioning of the ESF during the transitory period was characterised by a sprinkling of the interventions while the geographical impact of the interventions was left to member states' discretion⁶⁸. Besides, certain conditions of intervention of the Fund -exigency of a preliminary situation of unemployment or under-employment- had limited the situations in which the ESF could be used⁶⁹. Nonetheless, the use of ESF was not limited -as it was the case of the EAGGF- to a specific economic sector and, hence, it was susceptible in principle to be used as part of wider regional development objectives.

On the other hand, article 126 of the EEC Treaty foresaw that, at the end of the transition period, a revision of the functions of the ESF could be undertaken by the Council acting unanimously on a Commission proposal. The Commission and Coreper coincided in that the first reform of the ESF, which took place by the Council decision of 1 February 1971⁷⁰, took on board regional concerns. In particular in its new articles 4 and 5. New article 4 stated that the Fund could intervene 'when the employment situation is affected, or in danger of being affected, either by special measures adopted previously by the Council in the framework of Community policies, or by jointly agreed operations to further the objectives of the Community'. Although article 4 was a cushioning or escorting specific

⁶⁵ Let us recall that old article 15.1 of regulation 17/64/CEE stated: 'Projects which are part of a comprehensive system of measures aimed at encouraging the harmonious development of the overall economy of the region where such projects will be carried out shall be given priority for receiving aids from the Fund'.

⁶⁶ Council Resolution of 25 March published on 27 May 1971, JO C 52 du 17 May 1971.

⁶⁷ Let us note that such 'development operations' did not equate to programmes, because regulation 729/70 had wiped out their requirement; rather, 'development operations' were understood as a coherent set of investment projects economically viable having as a target the creation of infrastructures and industrial and service activities while being a determinant element of the economic development of the agricultural priority region susceptible to create a significant number of jobs for both those abandoning agricultural activities and their direct descendants (articles 3, 4).

⁶⁸ See also Commission, *Bulletin des CCEE* 8-1969, III. *Réforme du Fonds Social Européen*, p. 31-34.

⁶⁹ See Report on financial means [XVI/19908/70], p. 16.

measures adopted by the Council, a contribution of this provision to regional development objectives could be gained, according to the Commission, by attaining a degree of coherence between regional objectives and the contributions of the ESF. Concretely, as article 4 provided for the Council to take *ad hoc* decisions for the intervention of the ESF, such coherence between regional and ESF contribution could be *de facto* materialised through the usual procedure, by which the Council decided on ESF intervention on a Commission proposal. The Commission would, thus, consider unemployment situations from a regional perspective in its proposals and the specific contributions of the Fund would be decided by the Council⁷⁰.

Apart from the rather *ad hoc* character of the Council decisions of article 4 allowing ESF interventions in specific cases, article 5.1 provided that the ESF could also intervene 'where the employment situation in certain regions, in certain branches of the economy or in certain groups of undertakings is affected by difficulties which do not arise from any particular measure taken by the Council within the framework of a Community policy, but which result indirectly from the working of the common market or impede the harmonious development of the Community'. Article 5 provided that for this second category of ESF interventions -rather than in the form of a specific decision by the Council as in article 4- a Council regulation would define the conditions for the intervention of the ESF. Thus, on 29 March 1971 a draft regulation laying down the modalities of intervention of the ESF was transmitted to the Council and the final regulations were adopted on 8 November 1971⁷².

c) The European Investment Bank's resources

The EIB offered the most direct means of intervention in regional development that the Community had in 1970. Through article 130 of the Treaty the autonomous EIB had as a responsibility the pursuit of a balanced development of the Community regions by the issuing of either loans or guarantees for loans to support projects with a regional purpose. Its action could embrace all domains and particularly infrastructures -ultimately a key element influencing the location of economic activities and population.

In June 1970 the EIB submitted a Memorandum to the Medium-term economic policy Committee proposing how its structural action could be streamlined. The EIB proposed, on the one hand, an easier access to sufficient means by having a better access to the national market of capitals and, on

⁷⁰ Council decision of 1 February 1971 on the reform of the European Social Fund, JO L 28/15 of 4.2.1971. Especial Edition 1971(I) p. 52.

⁷¹ See article 4.1. of Council decision (71/66/CEE).

⁷² That is, Council regulation (2396/71) of 8 November 1971 implementing the Council decision of 1 February 1971 on the reform of the ESF and also Regulation (EEC) no. 2397/71 of the Council of 8 November 1971 on aid which may qualify for assistance from the ESF, JO L 249/54 du 10 November 1971. Special series 1971 (III) p. 929. Council Regulation 2396/71 noted that operations aiming at resolving the problems which were posed in either backward regions, or where the dominant activities were in decline and maintaining a severe and prolonged imbalance of employment (article 1.1) could benefit from the ESF. The regulation also noted that these operations ought to contribute to the implementation of a specific programme which would aim to remedy the causes of the disequilibrium affecting the employment in the concerned region. Programmes ought to reveal the economic context in which the operations would take place as well as stating the objectives and the means to be put into action (article 2.4).

the other hand, a more precise definition of Community policies to ensure operational success. And the EIB continued:

Drawing from previously undertaken actions, one of the factors which would best facilitate the interventions of the Bank would evidently be the possibility for the Community to define a programme of concrete and co-ordinated actions. Such an eventuality would contribute to facilitate the adoption of objective criteria of operational application. Besides, it would probably allow a breakthrough of initiatives which ... could be directed by the financing of the bank in relation to both resources and of modalities in conformity with Community orientations. It is in this perspective that either, for instance, a system of interest allowances could be put in place or otherwise an efficient system of granting of guarantees could be studied⁷³.

However, the opinion of the EIB to extend its action by enlarging its resources -either facilitating its access to capital markets, or by other appropriate measures- and by using the possibilities of interest rebates further -either by a third party or by offering more facilities in the conditions of loans, interest rebates or any other means with equivalent effect- was only shared by the Commission and by the Italian delegation⁷⁴.

d) Article 54 European Coal and Steel Community (ECSC)

Through this article the Commission was able to facilitate investment programmes by either offering loans to enterprises or guarantees to loans contracted by enterprises on the coal and steel sector. The Commission could also contribute to the financing of works or installations with any of the three following objectives: an increase of production, a reduction of prices or to facilitate the selling of outlets.

Article 54 had, however, a direct sectoral target -the coal and steel sectors alone. Certainly, given the fact that both these sectors were usually geographically concentrated, as well as being labour dependent industries, their economic conjuncture had direct and vast regional effects. Nonetheless, as also confirmed by Coreper, even though article 54 concerned an important sector and was susceptible to have real impact, it did not allow financing of investments other than those linked to the coal and steel industries.

e) Article 56 ECSC

Unlike article 54, article 56 was, in principle, open to any sector as a means for a Community reconversion and re-adaptation policy i.e. on the creation of new activities or the transformation of enterprises and labour whose difficulties were linked to the structural mutation of the coal and the steel sector. On the reconversion side, the Commission could facilitate the financing of approved

⁷³ Quoted in the Commission's report on financial means p. 20 [XVI/19908/70]. French text in appendix.

⁷⁴ See p. 19 of *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)]*.

programmes for the creation of new and sound economic activities likely to ensure the productive re-employment of labour shed from the coal and steel industry. On the re-adaptation objective, the Commission could give non-repayable aids to contribute to the financing of professional re-education of labour forced to adapt to a new sector.

Regarding the potentials of reconversion and re-adaptation of article 56 Coreper stated that although this article did not have a sectoral limit to the investments, its objective was to offer re-employment possibilities to the labour shed by the coal and steel industries and, because of that, this premise often imposed a geographical location of the interventions. In addition, the field of application of article 56 was gradually narrowing down as the problems of reconversion of these industries were overcome. Nonetheless, Coreper concluded that it was desirable to take into consideration regional policy objectives in the application of article 56. In this sense, the German and Italian delegations proposed the modification of the modalities of application of article 56 by modifying the modalities of intervention i.e. adding new objectives to article 56 interventions, namely, to intervene with the objective of creating jobs in the South of Italy for Italian miners and steel labour repatriated from the north of the Community.

So all in all, what were the final conclusions for the Commission and for Coreper concerning the sufficiency or not of the existing means to cover regional needs? The Commission concluded, on the one hand, that although none of the existing financial means was uniquely and specifically targeting regional objectives, the existing means -including the most sectoral instruments- could contribute to regional development purposes if applying two related types of reform: one, consisting of a regionalisation of specific interventions, and two, attaining a better integration of the existing means by a more co-ordinated management.

Thus, first, the recommendation for a regionalisation of the existing specific interventions could be easily undertaken by introducing modifications in the modalities of intervention of some of the existing financial instruments. According to the Commission, all existing means, which were not specifically sectoral -article 56, the EIB and the ESF- offered a possible utilisation for regional ends. But also for those instruments tied to a specific sector -like EAGGF and article 54- they also could contribute to regional objectives particularly where they performed as regionally dominant sectors. In other words, by the articulation of sectoral and regional objectives, all existing means could effectively be instruments of a policy for the development of regions, particularly, where certain economic sectors were dominant.

The second element of improvement was one pointing at the development of ultimate regional objectives and the subsequent co-ordinated management of the funds towards regional purposes. Certainly, this second improvement was going further than the simple and partial regionalisation of specific financial interventions in the sense that it called for the adoption of general objectives and priorities for the Community and a co-ordinated management of the Funds. The establishment of concrete, co-ordinated and operational objectives would be in harmony with economic policy

guidelines, would observe priorities in regarding regional problems and would facilitate the simultaneous participation of Community resources which, although not devised to be regional in its objective could, however, contribute in its financial capacity and in its consistency with development objectives. The proposed Committee for regional policy would have to ensure the convergence of all actions in the field of regional policy, or in other words, achieve the integration of sectoral objectives and the management of the Community funds into general economic policy targets.

But finally, and beyond the recommendations on how the existing means could be better employed in order to contribute to regional objectives, the Commission added a further remark. It concluded that 'the existing financial means were not sufficient to put into action those required measures for the solution to Community regional problems'⁷⁵. That is, even if the limitation of the sectoral specificity of some means could be partly overcome, and even if they could and ought to be re-oriented on the basis of co-ordinated objectives for regional development purposes, the existing means still were insufficient. Effectively, the Commission was recommending the creation of additional new and specific means for regional development because, even though there was scope for reform, the existing means were simply insufficient in relation to the problems to be addressed.

Expectedly Coreper's conclusions on its analysis of the existing means were much more modest. Coreper concluded that: (1) the existing financial instruments were susceptible to contribute to the solution of certain regional problems; (2) that although those interventions were sectorally determined and, therefore, limited -except those of the EIB, still (3) those means could be better used if the various Community interventions were, each in the pursuit of their own finalities, also oriented towards co-ordinated objectives of regional policy⁷⁶. Coreper did not make any explicit mention on the element of co-ordinated management -programming ultimately- neither stated the insufficiency of existing means.

In fact, the disagreement on the sufficiency of the existing financial means to address regional problems appropriately had been perceived by the Commission in various occasions. Thus, on 26 May 1971 the Commission was to go on to try two routes i.e. it was going to propose a partial adaptation of the Guidance section for the part-financing on regional projects in agricultural priority regions, but also, the creation of brand new means i.e. an Interest Rebate Fund.

⁷⁵ In the Commission's words: '*en définitive, les moyens financiers existants ne sont pas suffisants pour mettre en œuvre les mesures nécessaires à la solution des problèmes régionaux de la Communauté*'. p.20 of Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)].

⁷⁶ See p. 15-21 of Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)], or p. 11-16 of Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, 14 Octobre 1971 [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

But, whether from adapted or from brand new financial instruments, let us now see how a system of Community aids was proposed to operate and its relationship with national aid systems.

14. The disputed materialisation of financial solidarity: establishing a Community aid system co-ordinated with national systems

In the introduction to this chapter we pinpointed the series of proposals submitted by the Commission between 1969 and 1975. Irrespective of their proposing either an adaptation of existing financial instruments or the actual creation of brand new means specifically for regional development purposes, all the Commission's attempts proposed a function of promotion of regional development accompanied by financial solidarity. Such a function of promotion meant the setting up of an aid system in concert with national regional aid systems. This point 14 reviews the concrete proposals concerning the operation of such a Community system of aids submitted by the Commission since 1969. Notably, it concentrates on the major pillars of the Community aid system as proposed by the Commission, and exposes the discrepancies raised by delegations as well as alternative suggestions brought throughout the long process of negotiation towards the regulations of 18 May 1975. Subsequently (in point 15) the regional aid system finally emerging from the first regional regulations is reviewed.

The Community system of aids proposed by the Commission since 1969 rested on three main pillars, namely, on: 1) a confining of Community interventions to priority problems of common interest; 2) an understanding of Community action on regional imbalances as complementary to national actions; and 3) a flexible administration of Community resources i.e. a power of decision including a capacity of both selection and modulation of Community support.

14.1. The confinement to priority problems and the definition of eligible regions

The Commission never defended an intervention in all the different types of regional problems appearing at national or Community level; rather, Community intervention would only apply to an enclosed and pre-defined field of regional problems: the largest disparities in productivity.

Indeed, for the 1969 proposal only urgent regional imbalances were proposed as fields of intervention. The 1969 proposal (article 1.1) defined as 'particularly urgent situations' those geographically delimited scenarios where the development of the region or the zone as a whole was being jeopardised by the dangerous decline of specific economic activities or sectors, when such a decline was the consequence of the establishment of Community policies and the common market or the structural transformations in dominant economic activities, often adding to an inherited background of failed adaptation. Yet, the inventory of regional situations put forward in the 1969 proposal, and upon which Community financial instruments could intervene, was solely indicative of the categories of

Community concern and far from listing actual eligible regions⁷⁷. The 1969 proposal did not lay down the forms and conditions of the intervention of the financial instruments proposed; in fact, it was 'simply' a framework decision proposing to organise national and Community means of action and proposing the creation of a Regional development Committee and of specific financial means for regional development purposes (an Interest Rebate Fund and a System of Guarantees). In other words, draft regulations specifically laying down the modalities for the functioning and intervention of the financial instruments proposed in 1969 were expected to be submitted in due time.

From the very beginning national authorities accepted that the putting into effect of concerted actions of development would necessarily be confined to a limited field of urgent problems, as so considered from a Community perspective. Some wranglings occupied the first stages of the negotiations of the 1969 proposal relating to this broad categorisation of Community intervention⁷⁸. These early and rather abstract discrepancies, however, were dispelled shortly afterwards by the adoption of the III Programme in February 1971 where the Council noted various problems of common interest, and among them, a priority for:

- problems posed by the considerable backwardness of certain large, less developed peripheral regions;
- the difficulties that may result directly from Community integration, for example in frontier regions;
- the regional impact of the principal common policies (and especially the CAP) which must be co-ordinated with a regional policy aimed at promoting economically healthy activities in the regions affected by the trend in agriculture;
- problems posed by changes appreciably affecting the economic potential of certain regions, in particular as a result of the decline of a dominant economic activity in the region⁷⁹.

These priorities were re-confirmed in the resolution of 22 March 1971 on the attainment of EMU by stages (point 16,17.1, chapter IV) as the ones upon which the Community ought to concentrate on during the first stage of EMU⁸⁰.

⁷⁷ The 1969 proposal put forward a rather conventional categorisation of regional problems in the Community which was the result of previous exercises of confrontation with governmental officials and experts organised by the Commission from 1959 to 1965 (point 8.1, chapter II).

⁷⁸ National delegations wanted to see included or excluded from that categorisation particular national problems. Thus, the Netherlands wished to include problems of over-congestion and Belgium insisted on problems of frontier regions and industrial regions in decline. See these national positions at Council session of 26-27 October 1970: p. 2 Annex of *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régionale et Note sur la politique régionale, Bruxelles 6 Novembre 1970* [R/2276/70 (ECO 229) (FIN468)].

⁷⁹ III MTEP Programme, paragraph 119.

⁸⁰ The report of 14 October 1971 shows that delegations accepted the priorities for Community intervention as laid down by the III MTEP Programme. See *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, 14 Octobre 1971* [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

However, even though this broad choice for priority regional problems seemed to be settled from the adoption of the III MTEP Programme and the resolution on EMU, on 26 May 1971 arrived the sectoral swing (point 11, chapter II). The Commission perceiving the reluctance of member states to engage financial means into regional actions decided, acting collegiately, to grant a priority to one of the categories spelled out in the III MTEP Programme. Notably, the Commission proposed that regional solidarity would favour, particularly during an initial period, those regions where economic evolution was severely affected by agricultural transformations and where the active agricultural population was in a large surplus⁸¹.

Such prioritisation of agricultural over other problems of common interest -particularly regional problems relating to the industrial sector- was not very well received by all delegations. By September 1972 Belgium and the Netherlands in particular, were calling for a wider approach to regional problems including industrial regions in decline and, overall, for an equal treatment of the four categories of problems earmarked by the III MTEP Programme⁸². In fact, the discrepancies regarding the broad categorisation of regional problems and their prioritisation were not totally settled until 19-20 October 1972, when the first Conference of the Heads of State or Government of the enlarged Community in Paris extended the agenda of priority regional problems beyond the strictly agricultural domain (point 17.2, chapter IV). Regional interventions by the Community would certainly restrict its scope of application and give its priority to those most important regional imbalances threatening the timely realisation of the EMU, but clearly the Paris Summit of October 1972 upheld that those problems went beyond agricultural structures:

Community intervention, co-ordinated with national aid, must permit the gradual correction, as economic and monetary union is realised, of major regional imbalances within the Community, notably those resulting from agricultural predominance, industrial changes and structural underemployment.

Thus, the major domains of the intervention of the ERDF were settled by the Paris Conference, the main difference with previous categorisations being the equal treatment of all regional problems and the exclusion of frontier regions.

But beyond the discrepancies on broad categories and the prioritisation of agricultural versus industrial regional problems, the definition of actual eligible regions proved highly controversial. So let us turn now to how the Commission dealt with the problem of delimiting eligible regions in both the Interest Rebate and the ERDF proposal. As just mentioned above, the 1969 proposal did not enter

⁸¹ See exposition of motives of the proposals of 28 May 1971: Commission, *Communication de la Commission au Conseil concernant les actions communautaires de politique régionale dans les régions agricoles de la Communauté, présenté au Conseil le 28 Mai 1971* [COM (71) 500], JO C 90 du 11.9.1971.

⁸² See the opposition of a limitation of expenditures in agricultural regions in p. 18 of *Conseil. Projet de Rapport du comité des représentants permanents au Conseil, Objet: Politique régionale, Bruxelles 20 Septembre 1972* [R/1867/72 (ECO 188) (AGRI 567) (FIN 493)] and in p. 9-10 of *Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 31 Juillet 1973* [R/2387/72 (PV/CONS/R 2) Extr. 3].

into laying down the conditions for the intervention of the funds proposed to be created. But, as a matter of fact, in the actual proposals of 26 May 1971 proposing the technical manner of intervention of the Interest Rebate Fund, only the wide categories as laid down in the III MTEP Programme without any further delimitation were earmarked. The Commission was proposing a different method to the one followed by the interventions of the Guidance section of the EAGGF. Notably, concerning the Interest Rebate Fund the Commission proposed -rather than drawing up a list of eligible regions- to establish pragmatically, and in co-operation with member states, regional development plans. If approved by the Commission, these plans covering priority regions would simply be the object of Community aid. This pragmatic method proposed in 1969 and maintained in May 1971 was, however, unwelcome. By September 1972 delegations unanimously preferred the alternative method of drawing up a list of eligible regions, for which, plans would then be subsequently drawn⁸³.

Facing the delegations' refusal of a pragmatic common definition of plans for certain regions, in the draft ERDF regulation of July 1973 the Commission converted to the method of using a list for the delimitation of beneficiary regions. Thus, the ERDF draft regulation proposed straight away the method of drawing a list of eligible regions and, hence, also defined both criteria and a procedure for producing that list. Concerning the procedure for the adoption of the final list of eligible regions: the Council would adopt such list from a Commission proposal, and after consulting the European Parliament. Once the list of regions were adopted, the Council would still be able in the future to amend that list by qualified majority, as need arose⁸⁴.

Although by accepting the method of drawing a list of regions the Commission was following member states' wishes, the adoption of the list of eligible regions was clearly perceived by the Commission as a highly sensitive issue. Strategically, the Commission opted for earmarking in the draft ERDF regulation the broad categories and general criteria as to where the ERDF could intervene, but it delayed deliberately for some months the submission of both the specific criteria and the final list of regions (for both the ERDF and the Guidance section) falling into the criteria⁸⁵. Concerning the delimitation of regions where the ERDF could intervene, the draft regulation noted:

These regions and areas must be chosen from among those which benefit from a system of regional aids and whose gross domestic product per head is below the Community average. They shall include particularly those with regional imbalances resulting from the preponderance of agriculture and from industrial change and structural underemployment, taking in particular the following criteria into consideration:

⁸³ See p. 17 of *Conseil, Projet de Rapport du comité des représentants permanents au Conseil. Objet: Politique régionale, Bruxelles 20 Septembre 1972* [R/1867/72 (ECO 188) (AGRI 567) (FIN 493)] and p. 8 of *Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 10 Novembre 72* [R/2387/72 (PV/CONS/R 2) Extr. 1].

⁸⁴ Article 3.1 of Proposal for a Council regulation establishing a Regional Development Fund.

⁸⁵ See Commission, *Note à l'attention de MM. les membres de la Commission, Objet: -Projet de rapport sur les problèmes régionaux dans la Communauté élargie. -Résultats de la réunion ad hoc des membres de la Commission les plus intéressés (vendredi 30 mars 1973), Bruxelles 2 avril 1973* [COM(73) 550/2]. See also p. 6 of *Europe* No. 1306 (new series) of 18-19 June 1973 and *Europe*, No 1327 (new series) 18 July 1973, p.5.

- (a) heavy dependence on agricultural employment,
- (b) heavy dependence on employment in declining industrial activities,
- (c) a persistently high rate of unemployment or a high rate of net outward migration⁸⁶.

Finally, on 11 October 1973, and in order to prevent negotiations over the regional dossier becoming tainted by an over-politicised debate, the Commission submitted the draft list of regions eligible to the ERDF and the EAGGF. Besides the above general criteria the Commission put forward (not free from internal divergences⁸⁷) an indicative set of criteria defining the range of the main Community-wide regional imbalances, namely⁸⁸:

for the first category of problems - 'agricultural predominance':

- gross product per head below the Community average,
- strong dependence of employment in agricultural activities (when the percentage of active population employed in agriculture is higher than Community average -9.8%- and the percentage of active population employed in the industry is below Community average -43.9%).

for the second category of problems - 'heavy dependence on employment in declining industrial activities':

- gross product per head below the Community average and
- strong dependence (20%) of employment in an industrial sector characterised by a reduction of labour force and where a foreseeable reduction is likely to occur (like in coal and textile industries) and
- a continuous rate of unemployment of at least 2% or a negative migratory flow for a long period of time;

and for the third category - 'persistently high rate of unemployment or a high rate of net outward migration':

- gross product below the Community average (2,420 u.a. in 1971) and
- unemployment rate above at least 20% of the national average and reached at least 3.5 % in average for various years; or a large negative migratory rate of an annual average of at least 1% during a long period; or an internal gross product per capita not exceeding 50% of the Community average.

⁸⁶ Article 3.2 of Proposal for a Council regulation establishing a ERDF, submitted by the Commission to the Council on 31 July 1973, OJ C 86 of 16.10.73. The expression 'agricultural dominance' referred to those regions or areas with a conspicuous absence of industrial centres. As concerns the categories listed above under (b) and (c), the re-entering of regional problems related to industrial transformations -after the sectoral shift of 26 May 1971- seems most likely to have been pushed by British demands. Finally, the inclusion of a criterion of a high rate of net outward migration responded possibly to the Italian and Irish cases.

⁸⁷ See *Europe*, No 1324 (new series) Friday 13 July 1973, p.7, and *Europe*, No 1327 (new series) 18 July 1973, p.5.

⁸⁸ The proposal containing the criteria and the list of eligible regions was transmitted to the Council on 11 October 1973: Commission, *Proposition de règlement du Conseil relatif à la liste des régions et zones prévue au règlement en faveur desquelles le Fonds Européen de développement régional peut intervenir*. 10 Octobre 1973 [COM(73) 1751].

The list emerging from a geographical application of these above-mentioned criteria was, in fact, a maximalist list opening the door to a large number of eligible regions and areas, covering 32% of the total Community population and 52% of the Community territory. In other words, the Commission was favouring a large list of eligible regions. Indeed, it declared that it had tried to establish a perfect coincidence between regions eligible for ERDF support and those which benefited from aid at national level⁸⁹.

Spreading resources seemingly responded to the need to ensure that all countries would receive a share of the ERDF. Yet the lack of concentration on areas with the greatest need -coupled by the relatively small resources- seemed to put in question the purpose itself of Community financial solidarity i.e. the correction of the most flagrant structural geographical imbalances which could impede the timely realisation of the EMU. The Commission, however, defended itself against criticism of lack of concentration and of an unsatisfactory attention to the relative intensity of regional imbalances across the Community by noting that such a large list was, in fact, to be coupled with a power of modulation and, therefore, of appreciation of the relative intensity of imbalances. In other words, the politically necessary inclusion in the eligibility list of a (far too) large area and population of the Community would be balanced out at the time of granting ERDF aid by the operation of a capacity to discriminate and modulate ERDF support in accordance with comparative need. Thus, through a standard procedure for decision making, the Commission would be able to select projects as well as to distribute ERDF support bearing in mind the relative intensity of regional disequilibria and the quality of the projects submitted. In other words, the consideration of the intensity of the imbalances was not materialised in the list of eligible regions or areas but, rather, in the power of appreciation which the Commission was proposing to gain (point 14.3).

14.2. The principle of complementarity of Community aid and its disputed materialisation

Undoubtedly, Community action never sought to replace states' legitimate competence to formulate and carry out regional policy i.e. Community regional intervention could only complement national actions and national policy and, consequently, Community means were understood as complementary to national means. But the materialisation of such principle of complementarity, as just outlined, proved, in fact, far from being straight forward.

Certainly, from the very beginning, in both the Guidance and the Interest Rebate proposals of 26 May 1971, the Commission conceived a system of aids by which Community action would be

⁸⁹ Only in the case of Ireland did that coincidence not match because, from a Community point of view, the whole national territory ought to be included due to the GDP per capita and the predominance of agriculture and structural underemployment. See p. 18 of *Conseil, Note, Objet: politique régionale. Échange de vues général sur les propositions de règlements: -relatif à la liste des régions et zones agricoles prioritaires prévue au règlement (CEE) concernant le financement par le Fonds européen d'orientation et de garantie agricole, section orientation, de projets s'inscrivant dans le cadre de programmes de développement dans les régions agricoles prioritaires; -relatif à la liste des régions et zones prévues au règlement (CEE) en faveur desquelles les Fonds européen de développement régional peut intervenir, Bruxelles 25 Octobre 1973 [2039/73 (ECO 252) (FIN 660)]*.

complementary to national action, namely in the sense of Community aid being *additional* to national aid. That is, the Commission proposed in May 1971 that after development plans had been examined by the Regional development Committee and approved by the Commission, member states -or an intermediary appointed by them- would submit to the Commission applications for Community support to regional projects which fell under the previously approved development plans, and which were also supported by national authorities. The Commission (in co-operation with a Committee of the Fund administering the Community resources as it will be seen later), would decide upon the granting of an additional regional aid to projects which national authorities saw to support. If aid was awarded it would be paid to the member state -or its intermediary- who would then transfer the additional proportion of Community aid to the actual individual investors. Concretely, the beneficiaries of Community aid would be -not simply ultimately, but directly- the investors i.e. while state authorities would serve as channels of transmission between the Community and the individuals⁹⁰. In other words, Community aid would be clearly additional i.e. extra and distinct to the aid that individual investors received from their national authorities. In short, individual investors would be the direct beneficiaries of Community aid even though state authorities would transfer resources and mediate between investors and the Commission.

Not challenging the procedure proposed by the Commission, by May 1972 the German delegation suggested, however, an extension of the system originally proposed by adding another parallel and alternative procedure for both the Guidance and the Interest Rebate Fund which would, ultimately, confer on member states the option to choose from either making individual investors the beneficiaries of Community aid -as the Commission originally proposed-, or alternatively, integrating Community aid directly into national budgets. Notably, the German delegation proposed that Community aid could be reimbursed to state authorities if member states effectively preferred to advance sums of Community aid to individual investors for projects which national authorities had decided to support and which fell under approved Community programmes. In this case, member states would address the Commission with a request for a reimbursement to the State's coffers of the sums already appropriated by national authorities. Certainly however, neither the Commission nor the Committee of the Fund would lose their statutory right to decide upon the soundness of the national decision to pre-finance those projects; or what is the same, the actual decision to whether, or not, grant such reimbursement would remain a Commission competence. Indeed, ultimately, from the German alternative system for discharging aid, both the Commission and the Committee of the Fund were called to confirm whether individual projects in question fell under the objectives and criteria set within the development plan and whether aid granted was compatible with articles 92 to 94 and the co-ordination principles resolved on 20 October 1971.

⁹⁰ See article 8 of the Guidance proposal and article 6 of the Interest Rebate proposal.

The system of Community aids proposed by Germany was modelled on the system functioning within the FRG for the restructuring of agriculture⁹¹. Thus, in the same way as the Federal Government, the Council would establish criteria for the intervention of Community aid. Projects being drawn at local or regional level -but inspired by Community criteria- would be first addressed to national administrations which made the payments. National administrations would then -through the intermediary of the member state- request reimbursements for the sums already appropriated. The Community would simply confirm that the criteria had been observed and that aids were compliant with competition rules and co-ordination principles. If these conditions were fulfilled the Commission would instruct that a share of the sums committed by the member states were reimbursed.

The reimbursement route claimed that national actions ought to be able to be engaged by national authorities from the moment of their approval and, subsequently, if Community criteria were met, a reimbursement to the state could take place; otherwise, the financing of the projects would simply remain national. Let us insist that as initially presented by the German delegation, the reimbursement route did not intend to replace the procedure proposed by the Commission but, rather, to offer a second choice to those member states for which the Commission's procedure was found inappropriate. Indeed, the German delegation argued in favour of the reimbursement method in a number of fronts. To start with, reimbursement was a more efficient method since it secured a full match of national and Community regional actions; it was faster since financing could take place at the same time as national grants were accorded, but, fundamentally, the model proposed by the Commission was inappropriate -argued the German delegation- for it granted to Community institutions powers which the Federal Government did not have itself⁹².

Such a proposed choice between reimbursed or additional aid was like music to French ears. From the very beginning, the French had been the most reluctant delegation to accept any kind of Community involvement on regional policy matters. Certainly, the technique of reimbursement was seen by France as posing virtually no threat to national sovereignty, the latter being one of aspects which the French were most sensitive about. Indeed, without a doubt the technique of reimbursement allowed national authorities to prevent aid going to places or in amounts not wished, it unloaded national authorities from regional commitments and, finally, it prevented a more direct link between the

⁹¹ See the presentation of the German position in p. 24 and 29- 30 of *Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 31 Juillet 1973* [R/2387/72 (PV/CONS/R 2) Extr. 3].

⁹² Only a difficulty was earmarked by the German delegation: how to solve a situation by which the number of dossiers submitted involved expenditures superior to the amount already earmarked for regional policy in the Community. Clearly not wishing to establish a 'first come first served' system, the real possibility of an excessive amount of demands beyond limited resources previously earmarked seemed to call for the entry of an element of selection among projects to be made nationally. Yet, to this difficulty, a simple reporting of appropriations for the financing of projects to the following financial year seemed to be able to solve the problem.

investors and Community instances and the possible risks of a shift in loyalties -which France found particularly difficult to admit⁹³.

Yet, the reimbursement system proposed by Germany was opposed by the Italian, Belgian, Dutch and Luxembourg delegations. Led by Belgium, these delegations claimed that the objective to facilitate the realisation of EMU required that, rather than encouraging a reduction of national appropriations into regional objectives, additional resources to those deployed by national authorities should be effectively mobilised⁹⁴. These delegations noted, in a effort to dispel the concerns on excessive political discretion by the Commission, that the Council still held the power to adopt the list of beneficiary regions and that only Governments would submit the concrete dossiers, and thus mediate between individual investors and the Commission. It was also argued that if aids were channelled through states there would be no competition among projects, but rather, it would be the state who would decide where ERDF would fall.

This debate on the appropriateness of a system based on additional aid directed to investors versus a reimbursement to national efforts lingered until December 1972. National delegations were not able to strike a compromise before the Paris Conference of 19-20 October 1972 and neither did the Heads of State or Government for, after all, the meaning of complementarity was a rather 'technical' matter concerning the operation and the assimilation of Community resources. Shortly after the Paris Summit of October 1972, however, at the Council session of 18-19 December 1972, a compromise - half way between additionality and reimbursement- was reached. Notably, during the negotiations on the Guidance proposal, delegations accepted that it would be left to member states to either understand Community aid as additional or to, otherwise, integrate it in national aid, on condition that Community aid was visibly individualised by their beneficiaries⁹⁵. The principle of complementarity had been twisted into an obligatory individualisation and adequate publicity of Community aid. In fact, the Council of 18-19 December 1972 did not discuss a standardised and concrete form for such compulsory itemisation or notice of the share of Community support. At first sight surprisingly, Italy asked to pause in what seemed like a final agreement and to reopen the debate again when the awaited Commission's proposals mandated by the Paris Summit were submitted⁹⁶.

Thus, in July 1973, although the Belgian request for a clear itemisation of the proportion of Community aid in relation to national aid had emerged as a compromise solution, the debate on the

⁹³ Indeed, France had clearly stated the fear of a situation of contradiction between national and Community policies: *'il importe pour les gouvernements qui depuis des années ont mené une politique d'aménagement du territoire, que cette politique ne puisse se trouver à un moment donné en opposition avec un autre politique qui pourrait se faire au niveau de la Communauté entière, or il s'agit d'éviter avant tout un système au niveau de la Communauté qui puisse s'opposer aux systèmes appliqués dans les différents États'*. See p. 27 and 30 of *Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 31 Juillet 1973* [R/2387/72 (PV/CONS/R 2) Extr. 3].

⁹⁴ For the defence by the Belgian delegation of the principle of additionality see p. 36 of [R/2387/72 (PV/CONS/R 2)].

⁹⁵ See *Conseil, Extrait du Projet de procès-verbal de la 221ème session du Conseil des 18-19 décembre 1972, 22 Mars 1973* [R/2940/72 (PV/CONS/R6) Extr.2].

⁹⁶ See p. 26-27 of [R/2940/72 (PV/CONS/R6) Extr.2].

interpretation of complementarity either as additionality or as reimbursement re-emerged again in the context of the ERDF proposal. Indeed, the Thomson report re-opened the debate on complementarity from the agreement struck on 18-19 December 1972 and underlined the importance that beneficiaries of Community aid were able to identify unmistakably the fraction corresponding to Community support⁹⁷. The ERDF proposal noted that Community contribution ought to be complementary and, by no means, a substitute for member state's interventions since the Community contribution resided in accelerating the realisation of regional development policies beyond the point of what could otherwise not be achieved by member states alone bearing in mind the disciplines of EMU imposed in the employment of their own resources⁹⁸.

But in July 1973, the debate over complementarity was about to take new elements on board. The ERDF proposal put, in unequivocal terms, a point which was implicitly implied in previous proposals and which had not raised opposition till that moment, namely, that Community assistance would be complementary also in the sense that ERDF could not intervene wherever national governments did not intervene. Or, in other words, Community financial contributions could only finance projects which were beneficiaries of national aid. This was the position of the Commission and all delegations, except for Ireland⁹⁹. Ireland argued that the drawback of the notion of complementarity, as above interpreted, was one of making of national assistance a condition *sine qua non* for Community support or, in other words, of assuming that national Governments were not constrained to release budgetary resources. Yet, as a matter of fact, argued Ireland, not all member states were spending -or could spend- the same amount of national resources on regional policy, which also meant that these countries were going to receive less resources than those who were most able to spend. The Community, therefore, ought to be able to grant its aid to projects which did not benefit from national aid i.e. to support projects which, beyond the national budgetary capacity, would aim at correcting the imbalances compromising a timely realisation of EMU¹⁰⁰. Ireland charged against the Commission's U-turn on this aspect of complementarity for, although the Thomson report had in fact envisaged

⁹⁷ Point 32 of Thomson report: 'It is important that the element of Community aid, in whatever form it is disbursed, should be clearly identifiable as such to the recipient' and exposition by George Thomson to the Council: p. 7 of *Conseil, Extrait du projet de procès-verbal de la 412ème session du Conseil tenue à Bruxelles les 14 et 15 mai 1973, Bruxelles 26 juin 1973* [R/1558/73 (PV/CONS/R 7) Extr.1].

⁹⁸ See preambles to the ERDF proposal of July 1973.

⁹⁹ See p. 5 of Commission, *Note à l'attention des Messieurs les Membres de la Commission, Objet: 707ème réunion du Comité des représentants permanents -21.11.1973, Politique régionale, Bruxelles 23 novembre 1973* [SEC(73) 4412].

¹⁰⁰ In Irish words: '*Enfin la délégation irlandaise a estimé qu'en définitive les propositions de la Commission ne peuvent qu'avoir des effets assez marginaux. Même lorsque l'urgence des besoins est universellement reconnue et si le projet présenté est impeccable, les États membres doivent eux-mêmes fournir le gros du montant nécessaire à l'investissement. Cela pourrait placer certains États dans la nécessité de ne pouvoir entreprendre des actions qui devraient pourtant être effectuées pour la réalisation de l'union économique et monétaire. Il en résulte que plus un État peut dépenser, plus il pourra recevoir de la Communauté. Or, cette façon de voir est en contradiction avec le principe que le Fonds doit concentrer ses interventions dans les régions qui, dans la Communauté prise dans son ensemble, en ont le plus besoin. (...) L'État membre doit fournir le gros du montant des investissements publics nécessaires et cela même au cas où certains États membres déclareraient ne pas être en mesure de le faire*'. See p.19-20 of *Conseil, Note, Objet: Politique régionale: échange de vue général sur les propositions de la Commission, Bruxelles 20 septembre 1973* [1721/73 (ECO 217) (FIN 563)].

'Community initiatives'¹⁰¹, the Commission had in the actual ERDF proposal distanced herself from that notion¹⁰². The Irish delegation also recalled to those who argued that eliminating the precondition of national aid for Community support would entail an inadmissible granting of competence for the Commission, that Community financial solidarity was manifestly marginal -quantitatively speaking.

However, for the rest of the countries the condition of being in receipt of national aid before being eligible for Community support involved an element of control of the Commission's discretion on the allocation of resources. And, in fact, the Commission seemed to align with the majority by arguing, on the one hand, that the Paris Communiqué foresaw a close link with national aids, and on the other, the fact that being a beneficiary of national aid constituted a guarantee for co-ordinated and efficient employment of Community resources¹⁰³.

Indeed, the majority of delegations did not wish to yield on the link between national and Community aid systems. On the other hand, however, an arithmetical link between national and Community support was equally inadmissible. Belgium, particularly, argued that by proposing that ERDF assistance could be equal to a maximum of 50% of national aid, the Commission seemed to convey not only a deliberate choice for reimbursement -versus additional aid- but, also, the inescapable link between national and Community support could lead -if understood in arithmetical terms- to the ironical situation whereby those countries who could spend more would be in a position to also get more in return from the ERDF which, as a matter of fact, would work in detriment to those countries where most investment was needed. Rates of national aid being very different among the Nine, one ought to avoid a system of reimbursement which made Community support proportional to national regional spending.

As a matter of fact, however, this criticism led by the Belgium and Irish delegations was founded only if the ERDF assistance was not modulated i.e. if an *automatic* system for granting of resources was put in place -notably, if the rate of support was understood as a proportion of the national effort. As a matter of fact, however, the Commission was not understanding complementarity as an arithmetical link, but rather, it was proposing a ceiling of maximum support which projects could draw from the ERDF. Crucially, the support from the ERDF was proposed by the Commission to be variable from project to project, to be decided from an appraisal of each project rather than automatically applied, in short, to be modulated rather than uniform. For all the above the Commission was calling for a capacity to examine and select projects and to decide on the granting of aid in variable measures.

14.3. The examination of projects: power of decision (selection and modulation)

¹⁰¹ See Thomson Report, IV, 29 (ix): 'At the same time a desirable flexibility in the use of the resources of the Fund should be introduced by retaining a proportion of them for financing of regional plans or projects by the Community concerning for example particularly intractable regional problems or trans-border schemes involving more than one member state'.

¹⁰² See this claim by Ireland in p. 17 of *Conseil, Note, Objet: Politique régionale: échange de vues général sur les propositions de la Commission, Bruxelles 20 septembre 1973* [1721/73 (ECO 217) (FIN 563)].

¹⁰³ See p. 5bis of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régionale, Bruxelles 19 octobre 1973* [1970/73 (ECO 245) (FIN 642)].

Equally as the Guidance and the Interest Rebate Fund, the ERDF proposal attempted the gaining of a power of examination and of decision-making for the Commission concerning both individual investments and infrastructure projects. All delegations accepted that the running of a system of Community aids would have to rest on a Commission's power of inspection and, subsequently, of decision on the granting of Community aid. Yet, the extent of such powers could span through a wide range of shades of acceptability.

The Commission had proposed in both the Guidance and Interest Rebate proposals that projects susceptible to benefit from Community resources ought, to begin with, to be examined by the Commission, who would have the power to decide on the granting of Community aid, after consulting the Regional development Committee. Yet, no delegation found acceptable that the Commission alone could administer the financial resources through a procedure which simply foresaw consultation with the Regional development Committee¹⁰⁴. Instead, delegations demanded the incorporation into the procedure of another committee working together with the Commission in the performance of the tasks of administering the Community resources -as in fact was the case in other procedures for the granting of Community Funds. In other words, while the Regional development Committee would remain an organ of consultation on the submitted investment projects, a Committee of the Fund, formed by national representatives, would intervene in the making of decisions relating to the granting of rebates or capital sums¹⁰⁵. Thus, apart from the creation of a Regional development Committee, whose 'habitat' was more on the co-ordination side, the creation of a Fund Committee would work together with the Commission in the running of the administration and the decisions regarding individual projects.

Facing the unanimous opposition to the originally proposed procedure of May 1971 and the alternative proposal, in June 1972 the Commission announced its disposition to modify the decision-making procedure for both the Guidance and the Interest Rebate Fund and accept the creation and intervention of a Committee of the Fund assisting the Commission in the administration of financial resources¹⁰⁶. Thus, after reviewing various procedures in use, the Commission proposed not only a new committee but, also, a new procedure, notably, the procedure in place for the interventions of the Guidance section of the EAGGF as laid down in article 13 of regulation 729/70¹⁰⁷. By this procedure the Commission produced a draft decision which was then communicated to the administrative Committee of the Fund. This Committee of the Fund, whose principle task was to formulate opinions on the Commission's decisions, discussed the Commission's draft decision, while the Commission

¹⁰⁴ See articles 7, 11 of the AEGGF Guidance proposal and article 6 of the Interest Rebate proposal.

¹⁰⁵ See p. 26bis of *Conseil, Note. Objet: État des travaux en matière de politique régionale, Bruxelles 3 août 1972* [R/1697/72 (ECO 164) (AGRI 530) (FIN 464)].

¹⁰⁶ See p. 4 of Communication of 31 May 1972 [COM(72) 530 final], and p. 4 of *Conseil, Note. Objet: Travaux en matière de politique régionale, Bruxelles 23 Juin 1972* [R/1337/72 (ECO 130) (AGRI414) (FIN376)].

¹⁰⁷ That is, Council Regulation (EEC) 729/70 of 21 April 1970 on the financing of the common agricultural policy, OJ L 94 of 28.4.1970. See the Commission's modified stance in p. 8 of Annex of *Conseil, Projet Rapport du Comité des représentants permanents au Conseil, Objet: Politique régionale, Bruxelles 20 Septembre 1972* [R/1867/72 (ECO 188) (AGRI 567) (FIN 493)].

could at any time modify it. If the Committee of the Fund approved the Commission's draft decision then the decision became immediately applicable. If the Committee of the Fund disapproved of the Commission's decision then it was submitted to the Council. The Commission, however, and irrespective of the opinion of the Committee of the Fund, could still maintain its decision as applicable or delay it, but ultimately it was the Council who -only by qualified majority- could overturn the Commission's decision. Furthermore, if the Council did not rule within the time limit, the Commission's decision prevailed¹⁰⁸. In short, by this procedure it was the Commission who overall took the decisions of granting Community aid to individual projects, unless an opposing qualified majority could be gathered in the Council.

As in July 1973 the draft ERDF regulation replaced the previous Interest Rebate proposal. The Commission, from the experience of the position of the delegations, maintained (in article 13 of the ERDF proposal) both its concession of June 1972 of creating a Committee of the Fund and of using the procedure laid down in article 13 of regulation 729/70¹⁰⁹ which had reached a degree of acceptance¹¹⁰. In 1973 the Commission's procedure was supported by Italy and the Benelux countries. They argued that by the procedure proposed by the Commission, the Council was still able to overturn the Commission in cases where a majority dissented with Commission's decision. On the other side, Germany, France and Denmark proposed a different procedure. Any application to ERDF resources would result in a provisional decision by the Commission (whether positive or negative) which would not become applicable until so confirmed by the Fund Committee. If the Committee did not approve the Commission's decision, or simply did not comment, the decision could not be implemented and would be passed to the Council. The Council would decide by qualified majority on the provisional decision, and if the Council did not take position within a month, ERDF support would be declined. Clearly by this procedure the capacity of objection by the Committee of the Fund was increased at the expense of the Commission, notably, by being able to overrule the Commission decision -which as such would not be applicable *per se*, but dependent on the Committee's assent. Against this alternative procedure, it was argued, by the Commission and Italy, that could lead to a larger number of aid dossiers being submitted to the Council, for the decision would not be applicable until the Council so ruled.

¹⁰⁸ See the Commission's exposition of this procedure in p. 3 of *Annex to Conseil, Note, Objet: politique régionale, Bruxelles, 19 septembre 1972* [R/1872/1/72 (ECO 189) (AGRI 568) (FIN 494) rév. 1] and in p. 8 of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 9 octobre 1973* [1862/73 (ECO230) (FIN 607)].

¹⁰⁹ See the exposition by the Commission in p. 8 of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 9 octobre 1973* [1862/73 (ECO230) (FIN 607)].

¹¹⁰ See p. 9 of *Conseil, Rapport du comité des représentants permanents au Conseil, Objet: Politique régionale, Bruxelles 20 Septembre 1972* [R/1867/1/72 (ECO 188) (AGRI 567) (FIN 493) rév.1]. Since June 1972 the French had proposed a whole alternative procedure based on the functioning of the EIB. Requests for loans would be submitted by member states to the EIB who would take decisions in accordance to the procedures set up in the Protocol on the Statutes of the Bank and following the orientations defined by the Council in the field of regional policy. See p.5-7 of *Conseil, Note, Objet: Travaux en matière de politique régionale, Bruxelles 23*

But besides the aspects concerning the actual weight of Commission decision-making power versus national interests, the procedure for the granting of aids also involved a power of examination of projects by the Commission. Such a power of examination was understood by the Commission as conveying a power of selection and also of modulation of assistance. Indeed, the Commission proposed in both the Guidance and Interest Rebate proposals (article 7.1 and 4 respectively) a modulation of Community support in function of a certain number of elements like the relative situation of regions and sectors and the importance of the projects. Equally, in the ERDF proposals the Commission proposed that the actual percentage of assistance would be decided on a case by case basis.

The ERDF proposal set a ceiling of maximum support which any given project could gain from the Community¹¹¹ and made a distinction between small and large projects¹¹². In accordance with this distinction, two different procedures of selection and of modulation were proposed. All projects - irrespective of their size- would, however, be submitted for examination to the Commission for selection and the Commission -in co-operation with the Committee of the Fund- would select or decide whether they would benefit or not from ERDF support.

Small projects would only be subject to an examination of conformity with the already approved programmes and would receive Community aid automatically and uniformly. Thus, in what it seems an attempt to avoid the overload of having to select and modulate aid for small projects, the latter could automatically benefit from a given percentage of Community support if they were both supported by national authorities and established on the basis of Community criteria.

As far as large projects were concerned, however, the Commission -in co-operation with the Committee of the Fund- would hold the capacity not only to select i.e. to decide upon Community assistance but also to modulate it, that is, to apply different degrees of support. Indeed, for larger projects the Commission proposed that the contributions from the ERDF were not uniform but, rather, that an appraisal in relation to the interest of each dossier in its regional context were carried out by the Commission. To start with, the Commission would examine the consistency of projects with national programmes previously agreed within the Committee for regional policy. As mentioned before (point 12.2), in the undertaking of concerted development actions, national programmes offered the framework against which to consider concrete projects eligible for Community assistance.

Juin 1972 [R/1337/72 (ECO 130) (AGRI414) (FIN376)] and Annex 1 to *Conseil, Note. Objet: politique régionale, Bruxelles, 19 septembre 1972* [R/1872/1/72 (ECO 189) (AGRI 568) (FIN 494) rév. 1].

¹¹¹ Notably, the support of the ERDF would not exceed 15 % of the cost of the investment in industrial and service activities and in no case could ERDF support of individual projects exceed more than 50% of the support already given by national authorities. Concerning infrastructures ERDF could not support more than 30% of the expenditure incurred by national authorities.

¹¹² The Thomson report noted that the criteria for the distinction between small and large projects could be established by the Council on the basis of a proposal from the Commission and could rest on volume of investment to be made, number of jobs to be created or the nature of the projects themselves. See point 31-32 of Thomson Report. In the ERDF proposal the Commission defined small projects as those industrial and service investments of less than 10 million u.a. and infrastructure investments of a value of less than 20 million u.a. On the other hand, large projects were any investment above the latter figures.

Such previous consideration of individual projects against the background of commonly agreed programmes meant an examination of the degree to which national projects conformed to Community objectives, that is, a general and indirect criterion of conformity with Community objectives.

Individual projects would then be subject to a second type of examination. The Commission proposed that an evaluation of the merits of individual projects was undertaken at Community level too, so that not only decisions in favour, or denying assistance, were made, but also a modulation of support were administered according to the interest of the project from a Community perspective and the relative intensity of the imbalance on the ground.

So, which would be the criteria susceptible to determine the modulation of ERDF assistance? In the ERDF proposal the Commission proposed that the examination of projects would be made:

with reference to the relative severity of the economic imbalance of the region where the investment is made and its direct and indirect effect on employment, and taking account of the following considerations:

- (a) the consistency of the investment with the development programmes and the objectives referred to in article 6;
- (b) the investment's contribution to the economic development of the region;
- (c) the consistency of the investment with the Community's programmes or objectives, particularly those adopted as part of sectoral policies;
- (d) the investment's effect on the environment, particularly as regards living and working conditions;
- (e) the trans-national character of the investment, that is, the fact that it comes from another Member State;
- (f) the trans-border character of the investment, that is, concerning adjacent regions in different Member States¹¹³;

In other words, a degree of discretion would be given to the Community by which the assistance from the ERDF would be decided with reference to (1) the relative severity of the economic imbalance of the region where the investment was made, and (2) its direct and indirect effect on employment, and also taking into account the series of considerations above. Notably, argued DGXVI's director general, the modulation would permit the Commission to apply a lower percentage than the maximum rate of support to those investments which although, for instance, proved useful for the development of the area in question they did not respond in a fully satisfactory manner to the criteria of the creation of new employment¹¹⁴.

¹¹³ Article 5 of Proposal for a Council Regulation establishing a Regional development Fund, OJ C 86/8 of 16.10.73.

¹¹⁴ See p.3 of Commission, *Note à l'attention des Messieurs les Membres de la Commission. Objet: 707ème réunion du Comité des représentants permanents -21.11.1973, Politique régionale, Bruxelles 23 novembre 1973*[SEC(73) 4412].

Ireland, Denmark and the Netherlands were in favour of this appraisal of projects by the Commission -subject to the conformity of the Committee of the Fund, and thus, in favour of investment projects being supported asymmetrically depending on the relative intensity of the regional disequilibria facing each region, and relative also to the interest and quality that individual investment projects had for the employment situation and the economic development of the region in question -and then by default the balanced development of the Community.

But opposed to such capacity of selection and modulation, other delegations proposed, instead, an automatic system. Indeed, refusing to grant a margin of discretion to the Commission, Germany, France, Italy and the UK argued that such discretionary power ought to be limited for the sake of the certainty that investors ought to have *a priori* to undertake investments in less favoured regions. Thus, a more automatic process of decision by which the Commission would simply apply fixed rates of support, with none or almost no power of appreciation, was more appropriate.

Within those who defended an automatic system a further option was opened, notably, between automatic rates but variable in relation to the relative intensity of regional imbalances (defended by Italy, UK, Germany and Netherlands), or otherwise, automatic and uniform rates, that is. not observing regional situations relatively (defended by France). In the first case, automatic fixed rates would vary depending on some categorisation of the relative regional situations, thus a list of regions could be drawn up according to which distinct rates of aid could be then applied in an automatic fashion. For the delegations who defended automatic rates of intervention but variable according to a certain criteria, discrepancies appeared concerning the criteria of evaluation laid down in article 5.1. Indeed, for Germany only an appreciation of the coherence of the investment with Programmes was appropriate, and most delegations did not accept an appreciation of a trans-frontier or trans-national character of investment projects.

The problem of the examination and decision was a question for opting between variable rates of ERDF support or the operation of automatic rates¹¹⁵. If rates of support did vary a case by case examination of projects ought to be made by the Commission and the Committee of the Fund, and thus, an appreciation of various aspects of the project as such was required. If, on the other hand, one opted for automatic granting of aid, then the examination was much simpler, and the decision of the Commission was solely one on whether to grant aid or not, for the varied rates according to relative need would be automatically applied.

Against an automatic granting of aid, Belgium and Luxembourg argued that choices among projects had to be made in order to solve the problem of the necessary limitation of Community resources or, in other words, the problem of avoiding a mismatch between applications for ERDF and available resources. It clearly could not occur that projects submitted at the end of the financial year had less chances to receive ERDF assistance, or one ought to avoid the exhaustion of resources, or a first come

first serve dynamic. Indeed, a problem appeared as to how the determination of the amount of granted aid or refused aid would bear in mind the priorities arising from, on the one hand, the relative intensity of economic disequilibrium and, on the other, the financial resources of the Fund¹¹⁵. For Germany, however, more appropriate than giving the Commission the discretion to modulate assistance or, alternatively, simply reporting projects to the following financial year, the best solution providing certainty in relation to the global volume of resources and avoiding a mismatch between ERDF resources and the requests for ERDF support was an external and previous national partitioning of the Fund i.e. the fixing of quotas per country¹¹⁷.

To recapitulate, apart from many other lesser disagreements¹¹⁸, a number of major disagreements arose as regards the principles, the conditions and the technical modalities of Community financial interventions. These differences were finally settled at the beginning of 1975, after a long period of negotiation which was troubled by additional external factors (point 18, chapter IV). Let us now see finally the choices and competence that resulted.

15. The role in regional economic policy emerging in March 1975

The Council of 4 March 1975 agreed to a first form of involvement in regional policy, namely, to a form of co-operation on policy and to a form of promotion of individual investment projects which, overall, was rather modest. On the one hand, the strength of policy co-operation was largely incipient and, on the other, financial interventions were set to operate lacking an identified specific Community dimension. Overall, the role of the Community in regional policy, as agreed by the Council in March 1975, had more the character of a net transfer of resources than the likes of a co-ordinated, well-targeted and competent approach to regional imbalances in the Community. Keeping the distinction between a task of co-ordination of national policies and one of promotion made so far, the role of the Community in regional policy -as emerging from the regulations of 18 March 1975- is reviewed in this final point.

Let us start with the policy side. In March 1975 the Community signed up to a new competence, namely, to examine (permanently) policies, programmes and regional budgetary appropriations. Acceptable to all delegations since 26 October 1970 (see point 16, chapter IV), a Committee for regional policy would facilitate the addressing of common problems, the progressive development of

¹¹⁵ See p. 54bis of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 7 novembre 1973* [2107/73 (ECO266) (FIN 687)].

¹¹⁶ See p. 3 of *Conseil, Note, Objet: politique régionale. Information de la Présidence sur l'état actuel des travaux, Bruxelles 1 Octobre 1973* [R/2370/73 (ECO 223) (FIN 602)].

¹¹⁷ See p. 2-4, *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 9 octobre 1973* [1862/73 (ECO230) (FIN 607)].

¹¹⁸ Such as: definition of industrial and service activities and infrastructures (article 4), different interpretations of the notion of maintaining jobs (article 4), the minimum size of eligible projects (article 4), rates of aid (article 4), the control by the Commission of the implementation of funded projects (article 10.1), modalities for the recovering of aids (article 10.2), kinds of studies to be financed by the ERDF (article 11.1), the conditions for the re-examination of the regulation (article 18), etc.

common strategies, and the harmonisation of techniques and objectives of regional interventions. The Committee for regional policy was set up, defeating French opposition, on the model of the Medium-term economic policy Committee i.e. under national direction and the Commission's secretariat¹¹⁹ - as an organ of reciprocal consultation with the responsibility of carrying out the co-ordination of policies in a progressive manner. Such a task of co-ordination boiled down to a capacity to give opinions and to deliberate on issues relating to regional policy¹²⁰. The Committee was to report to both the Council and the Commission and could also act on its own initiative.

But as well as this speculative side of the Committee's functions, the confrontation or comparison of policies was to be effectively carried out through the examination of regional development programmes, yet the scope of such an examination of programmes was agreed in rather incipient and indeterminate terms. To start with, unable to agree on the concrete information to be supplied in programmes and the technical methods for their elaboration (point 12.2.1), delegations decided to call off the discussion and they commissioned the Committee for regional policy to study outlines for the elaboration of regional development programmes and to propose, before the end of 1975, methods and guidelines for the elaboration of regional programmes¹²¹. Indeed, programmes ought to contain precise indications on the objectives and the means of development of assisted regions, and yet, programmes were only acceptable to delegations as indicative documents. The final regulation engaged that by the end of 1977 member states would submit to the Commission programmes for all aided regions¹²² and, thus, from 1978, member states had the obligation to accompany their demands to the ERDF with programmes of regional development for the regions in which the projects were located. Before this date, either through the method of programmes or from annual information reports, member states would provide information on a) the evolution of the socio-economic situation of the regions eligible for Community aid; b) the resources that member states had decided or projected to appropriate for the development of these regions; c) the actions foreseen in the field of infrastructures and in the creation of economic activities; and d) the ceilings of intensity of state aids -where appropriate-, and on the results of actions taken on the previous year, noting there where the ERDF had participated¹²³. The problem of the harmonisation of programming methods, however, was by no means solved with the adoption of the guidelines on programming in 1976. The Commission soon denounced the

¹¹⁹ See the Rules of procedure of the Regional Policy Committee in OJ L 320 of 11.12.1975.

¹²⁰ A list of issues was proposed by the Commission in the 1973 proposal as an example of tasks to be performed by the Committee rather than a rigid demarcation of its agenda. The final list of tasks adopted in 1975 was almost literally the same as the list proposed in the 1973 proposal except in a couple of amendments. The first one added the study of technical methods for the elaboration of regional development programmes so that a common view on this notion could be made. The second amendment allowed the European Parliament to be informed by the Commission in its annual report on the work of the Committee. The Committee had the faculty rather than the obligation (as the European Parliament wished) to collect the opinion of the regional authorities and social partners. Moreover, a representative of the EIB sat on it and its national presidency would run for a two years period rather than by semesters as it was the case for the Council and its committees.

¹²¹ See article 2.1.c. of the Decision creating a Committee of regional policy of 18 March 1975 and article 6.4 of the ERDF regulation of 18 March 1975. The regional policy Committee draw the guidelines on 6-7 October 1975. See 'Outlines for regional development programmes', OJ C 69 of 24.3.1976.

¹²² Article 6.2 of the ERDF regulation of 18 March 1975.

¹²³ Article 6.6 of the ERDF regulation of 18 March 1975.

programmes submitted as being too broad in their indications of policy objectives¹²⁴; in fact, the problem of the degree of detail covered in the programmes raised already in 1977 was going to linger for the years to come.

Beyond the problem of the detail to be contained in programmes, the examination to be undertaken by the Commission and the Committee for regional policy was to consist of a general and consultative test on consistency of the programmes with Community objectives, notably, the Commission would examine the regional programmes 'having regard to the provisions of the Treaty and the decisions adopted by Community institutions'¹²⁵. The Commission was admitting that the content of national regional policies and the concrete means of action were competence of member states; nonetheless, the Commission was claiming the responsibility to ensure that regional development programmes were compatible with the Treaty and also the need to insert structural policy actions into wider economic policy guidelines.

Yet, although fitting structural actions within the broader context of medium term economic policy objectives was, since the mid 1960s, the leading objective of regional actions, neither the negotiations nor the final regulations of March 1975 made any concrete suggestion on how the conformity with Treaty provisions and Community decisions was going to operate. In other words, the actual scope and manner of the examination of programmes within the Committee for regional policy was left largely undefined. A concrete procedure was not spelled out until 1977, at the time of the first reform of the regional regulations of March 1975. Notably, in June 1977 the Commission would propose to submit to the Council every two years -beginning in 1979- a draft Report on Social and Economic Trends in the regions of the Community. In this report the Commission would draw proposals which would set the priority objectives of regional development to be pursued at Community level as well as the resulting Guidelines for national and Community regional policies. This Report and Guidelines would, in turn, be inserted into broader economic policy guidelines. On the one hand, the draft Report on Social and Economic Trends in the regions of the Community would be examined by the Economic policy Committee¹²⁶ which would deliver an opinion on it. But second, the Report on Social and Economic Trends in the regions of the Community would accompany the Annual Report on the Economic Situation in the Community provided for by the Council decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the member states of the

¹²⁴ According to the Commission, ERDF Third Annual report (1977), Brussels, 1978, point 122: 'The regional development programmes and the annual information statements submitted by member states supplied basic information of great value. However, they mostly lack the detail needed to serve as a guide to the allocation of the Fund's resources or to co-ordinate them more closely with assistance from the other Community financial instruments. For this reason the Commission considers that the programmes submitted in 1977 are not yet in their final form but provide a basis for progressive development. The Commission also considers that grant applications should be presented in a manner to show more clearly the link between the investment projects in question and the achievement of the aims of the programme for the regions in which it is located'.

¹²⁵ See article 6.5 of the ERDF regulation of 18 March 1975.

¹²⁶ The Economic policy Committee was born out of the merging of the Medium-term economic policy Committee, the Short term economic policy Committee, the Budgetary Committee and the Monetary Committee on 18 February 1974, OJ L63 of 5.3.1974.

Community¹²⁷, which ought to be drafted by the Commission and subsequently be adopted by the Council. In sum, the two-yearly report on social and economic trends in the regions of the Community as well as the aims and guidelines fixed by the Council, would form the basis for the examination of national regional policies and programmes¹²⁸. This procedure for the insertion of regional policies into broader economic policy guidelines proposed by the Commission was watered down by the Council in February 1979¹²⁹.

Turning now to the function of promotion, in March 1975 a new and specifically regional financial instrument -the ERDF- was set up for a trial period of three years¹³⁰ and with an allocation of 1,300 million u.a.¹³¹. Although the Paris Summit decided to create a specifically regional financial instrument in order to contribute to the correction of those largest regional imbalances within the Community which were likely to prejudice the attainment of EMU¹³², as a matter of fact, the Community system of aids set up in 1975 resulted in not much more than a system allowing an unconditional transfer of resources to supplement existing national regional policies.

Indeed, although the ERDF was originally justified on the basis of correcting the largest disparities at Community level, the final geographical eligibility came to cover virtually all the areas under regional support in the Community¹³³. In other words, although the Commission had originally proposed that eligible regions would be delimited on the basis of criteria of revenue, structure of employment, unemployment and migration -at Community level- (point 14.1), Community-wide criteria were scrapped, and instead, the final ERDF regulation simply noted that the regions eligible to benefit for ERDF assistance would be those regions aided by member states under their own systems of regional aid. Community regional disparities, therefore, would not be defined from a relative evaluation of imbalance but, rather, they would gather all imbalances across the Community and include some

¹²⁷ See point 18.2, chapter IV for this Council decision.

¹²⁸ See p. 9 of Commission, Community Regional Policy: New Guidelines, Bulletin of the EEC 1977, Supplement 2.

¹²⁹ Council decision (79/136/EEC) of 6 February 1979 amending decision 74/120/EEC on the attainment of a high degree of convergence of the economic policies of the Member States of the EEC, OJ L 35/8 of 9.2.1979.

¹³⁰ It was the Paris Summit of December 1974 who agreed the setting up of the ERDF for a trial period of three years. The ERDF regulation did not mention the life span of the ERDF, it simply stated the appropriations from Community own resources for the period 1975-1977.

¹³¹ This amount included 150 million u.a. of the EAGGF Guidance section reserves which had been put pending on the negotiation of the Guidance proposal of 14 May 1971. Yet as the ERDF regulation was approved, two funds with different procedures but both aiming at the creation of industrial employment seemed unreasonable and therefore the resources of the Guidance section were transferred to the new ERDF. See Council regulation (EEC) 725/75 of 18 March 1975, on the transfer to the ERDF of 150 million u.a. out of the appropriations held in reserve by the guidance section of the EAGGF, OJ L 73/8 of 21.3.75.

¹³² The programme of EMU had entered severe crisis in February 1974 when the FF withdrew from the European snake. Yet the ERDF regulation of 18 March 1975 justified regional solidarity in the light of the timely realisation of EMU (point 18.2, chapter IV).

¹³³ ERDF eligibility coincided with the geographical application of national aid systems, except for the exclusion of the regions outside the Mezzogiorno in Italy and the 'development zones' in Belgium -Flanders- which the Commission recognised in 1972 as areas 'not any more in need of aid'. p. 181 Romus (1979) *L'Europe et les régions*, Bruxelles, Éditions Labor.

overseas territories as well¹³⁴. The final ERDF regulation recognised the need to give a priority to priority regions (as so-defined at national level) to benefit from ERDF support¹³⁵, yet, the lack of any delimitation of relative regional imbalances at Community level meant that the choice of the problem areas to be assisted by the ERDF as well as the concentration of national and ERDF resources, was left fully on States' hands, and thus, responding to national policy objectives.

Concerning the principle of complementarity, the regulation of March 1975 left member states the choice to incorporate ERDF resources either in the form of an additional aid or, otherwise, reimburse it against national bills. Thus, the preliminary agreement struck in December 1972 (point 14.2), by which the interpretation of complementarity was avoided by insisting on an itemisation of aid, was maintained. ERDF assistance could be either added to the aid accorded by national authorities or, otherwise, be blended and remain integrated into national aid. In either case, the transfer of Community resources would, however, only be made to member states, and not to the regions. Second, individualisation in the form of information and publicity of the aid granted to the investor was marked as an obligation for member states. Investors would be informed of ERDF support, assistance on infrastructure provision would be publicly announced and the lists of financed projects would be published in the Official Journal of the European Communities¹³⁶. As regards the condition imposed by the ERDF regulation that projects supported by the ERDF ought to be beneficiaries of national aid, interventions outside nationally-supported projects were ruled out by the majority of member states -as well as the Commission. In fact, Ireland had been the only party advocating that the ERDF be able to intervene where a member state was not able to finance certain projects due to national budgetary limitations. Although standing alone, Ireland held to its position until the Commission proposed adding the possibility for any member state to apply for interest rebates on EIB loans in order to finance infrastructure investments without a direct contribution of the member state in question¹³⁷.

The fact is that, by 1977, no member state had made use of the 'additional' formula i.e. of the faculty, foreseen by the regulation, to transfer directly receipts from the Fund to industrial investors¹³⁸. Clearly the understanding of Community assistance as complementary -in both the senses of being a reimbursement and of being conditional on national aid- was curtailing the capacity of influence in the selection of projects, but, in addition, the reimbursement technique, which had been largely

¹³⁴ Council decision to apply Regulation (EEC) 724/75 establishing a ERDF to the French overseas departments (75/186/EEC), OJ L 73 of 21.3.75.

¹³⁵ Article 3 of the ERDF regulation of 18 March 1975.

¹³⁶ Article 14 of the ERDF regulation of 18 March 1975.

¹³⁷ See p. 4 of Commission, *Note à l'attention des Messieurs les Membres de la Commission. Objet: 707ème réunion du Comité des représentants permanents -21.11.1971, Politique régionale, Bruxelles 23 novembre 1973* [SEC(73) 4412]. This possibility seems to be covered in the final ERDF regulation under article 4.2.b).

¹³⁸ See point 37 of Commission, ERDF .Third annual report (1977), Brussels 1978.

embraced as a shield against the Commission's interference, was resulting in an overall reduction of national efforts¹³⁹.

In addition, the system of aids agreed upon in March 1975 by the Council put in place a system which, lacking a defined policy, imposed virtually no conditions over applicant projects. Indeed, the granting of aids was, first, based on a mere confirmatory examination of the coherence of the investment projects with overall national measures; second, aids were awarded (largely) in a uniform and automatic manner; and third, the overall distribution of resources between countries was decided *a priori* by the establishment of national quotas.

First, the ERDF was to contribute -either in the form of capital sums or of interest rebates- to the financing of two categories of investments i.e. investments in industrial, handicraft or service activities or, otherwise, infrastructure investments¹⁴⁰. Eligible investments should aim at the creation or maintenance of employment, namely, maintaining or creating at least 10 jobs or be above a minimum size¹⁴¹ and be submitted in accordance to their size¹⁴². All individual requests for ERDF aid would have to indicate a varied range of information and, in particular, the coherence of projects with the whole of the operations led by the member state, the contribution of the investment to the economic development of the region, its incidence on employment and the sectoral context to which the investment fell into¹⁴³.

But what was the concrete scope of the examination of projects? The refusal by a good number of delegations to accept an appraisal of projects by the Commission (point 14.3) resulted in the establishment of an automatic system for granting Community aid¹⁴⁴. Flexible rates of ERDF

¹³⁹ The Delmotte Report denounced the situation that individual investors were not receiving more than what they used to receive in the national framework, OJ C 6 of 10.1.1977.

¹⁴⁰ The definition of infrastructures had raised divergences among member states. Notably, Ireland, Italy and the UK had demanded that under the notion of 'infrastructures' were covered large projects such as roads, channels, ports; while Germany, Belgium, Denmark, France, Luxembourg and Netherlands had insisted that infrastructure ought to be understood as the provision of facilities directly linked to the creation of new economic activities and employment. Eventually, in the final ERDF regulation infrastructures of the two types were covered: those closely linked to the development of economic activities or, otherwise communications infrastructures in mountainous areas or in regions characterised by a disfavoured agriculture (article 4.1.c).

¹⁴¹ No projects of a size less than 50,000 u.a. were eligible for ERDF support.

¹⁴² Individual investment projects would be submitted globally i.e. grouped by regions- if their size was of an amount less than 10 million u.a., or otherwise, requests would be presented separately. Decisions would be made by the Commission, on whether ERDF would be granted, in the aggregate for each request under global submissions or case by case for the largest investments.

¹⁴³ Article 7 notes the details for national applications: In respect of the investments on the first category (industrial, handicraft and services) the requests ought to indicate the names of the undertakings concerned, the sector of their activity and the location of each investment, also its character (foundations, extensions, conversion or restructuring of the relevant concerns), the total amount of the investment involved, the predicted overall effect on employment (creation or maintenance), estimates regarding the implementation schedule, total aids granted for which a contribution of the Fund was requested and the schedule laid down for their payment. On the other hand, in respect of investments in infrastructure, requests ought to indicate the location of each investment and its character, the direct link with the development of activities in the first category, the predicted total costs and the costs borne by public authorities and the schedule laid down for their payment, the name of the responsible authorities, the total contribution requested from the Fund, and estimates regarding the implementation schedule.

¹⁴⁴ Thus, the ERDF regulation of March 1975 provided that aids to industrial and service investments could receive from the ERDF 20% of the cost of the investment, but never more than 50% of the all aids accorded by

assistance were only accepted in a reduced number of cases i.e. in respect of infrastructure projects larger than 10 million u.a.¹⁴⁵. The examination of the larger infrastructure projects would seemingly consist of ensuring that investments were effectively linked to industrial and service activities; but, otherwise, no modulation would take place for the rest of the projects and, thus, the Commission retained simply a power of selection. But, on which criteria did this power of selection rest? As most delegations considered an examination of projects as an unacceptable interference in national discretion, the Commission put the emphasis on the coherence of national actions, thus, projects were to be examined on the grounds of their coherence with the range of actions undertaken by their member state¹⁴⁶.

After examining the coherence of individual projects with national programmes and taking account of the contribution of the investment to the economic development of the region, its sectoral repercussions and the economic soundness of the projects, the Commission would produce a decision. The ERDF regulation laid down a staged procedure of decision-making by which the Commission's decisions could be opposed by the Committee of the Fund and overruled by the Council - if a dissenting majority to the Commission's decision was mustered¹⁴⁷.

The granting of ERDF support seemed well under the control of national priorities, but still a further aspect of the system set up in March 1975 removed all doubts that the distribution of Community resources would leave any room for uncontrollable solidarity: the allocation of the ERDF resources was pre-fixed in the form of national quotas. The quotas per country (in percentages) for the period 1975-1977 were allocated as follows: Italy 40%, UK 28%, France 15%, Germany 6.4%, Ireland 6%, Netherlands 1.7%, Belgium 1.5%, Denmark 1.3%, Luxembourg 0.1%. Additionally, Ireland was to receive 6 million u.a. from the quota of each member, except Italy.

A solution of quotas emerged as a feasible alternative when the capacity of appraisal -upon which the fairness of the system rested- was largely challenged by various delegations. Indeed, a system of quotas reconciled establishment of an automatic system, a large list of eligible regions, and the observance of relative need. At the Coreper session of 27-28 September 1973 the German delegation defended overtly, for the first time, the notion of quotas in order to avoid an appreciation of the projects while respecting the relative intensity of the imbalances¹⁴⁸, while Ireland and Italy in particular, had criticised the insufficient account of the relative intensity of imbalances in the Commission's draft map of eligible regions and areas. From the Council session of 15 October 1973 a

national authorities in applying their regional aid systems. ERDF assistance to small infrastructure investments could reach 30% of the expenditure.

¹⁴⁵ Investments in infrastructures higher than 10 million u.a could receive from 10% to 30%. See article 4.2.b).

¹⁴⁶ Article 5.1 of the ERDF regulation of 18 March 1975 notes that the Commission was to take special account of: a) the investment contribution to the economic development of the regions, b) the consistency of the investment with the Community's programmes or objectives, c) the situation of the economic sector concerned and the profitability of the investment, d) whether the investment fell within a frontier area, and e) other contributions made by Community institutions or the EIB.

¹⁴⁷ Article 12 of the ERDF regulation of 18 March 1975.

system of quotas started to emerge as a viable solution. Indeed, Ireland (which until then had defended a power of discretion for the Commission, notably, in so far as an appreciation of relative disequilibria was concerned¹⁴⁹) and also Italy became ready to support a system of national quotas as the only solution to ensure that relative need was taken into account while a large list of eligible areas was felt as a political imperative.

By November 1973, DGXVI's Director general, trying to strike a compromise with the delegations who refused a power of appraisal (France, Germany, UK, Italy and Netherlands), conceded a reduction in the margin of Commission's discretion; namely, R. Ruggiero proposed to limit the application of the margin of appreciation solely to investment projects of a size larger than 10 million u.a., thus, the number of cases under examination would become radically restricted and no administrative costs could be adduced either¹⁵⁰. Most delegations accepted in principle such concession except France who still defended a full automatic system for all sizes of investments, and Denmark who, alone, opposed the automatic system altogether and defended a case by case examination of all types of projects with differential rates of intervention decided by the Commission¹⁵¹. Negotiations through 1974 dealt with the size of the fund and, in particular, with the allocation of national shares. But, all in all, as a system granting aids based on the appraisal of projects by Community criteria was unacceptable to a core number of countries, the final regulation of 1975 set up an automatic system of aid in which the quotas guaranteed the observance of relative imbalance.

Recurrently, after 1975 the Commission was going to propose reforms to both the system of Community aids and the scope of policy co-ordination. Seen in their historical perspective, periodic revisions tended to increase the effectiveness of the technical machinery put for the first time in place in 1975 and to define the identity, the autonomy and the specificity of Community regional actions side by side with national responsibilities.

Conclusions

¹⁴⁸ The alternative of a system of national quotas was proposed on 27-28 September 1973 in relation to article 8 of the ERDF regulation.

¹⁴⁹ See p.22bis of *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 19 octobre 1973* [1970/73 (ECO 245) (FIN 642)].

¹⁵⁰ Therefore, the rate of intervention in industrial and services investments inferior to 10 million u.a. would be automatically fixed to 15% (the ceiling of 50% of national aid still applying), whereas for investments equal or higher than such size a semi-automatic mechanism would apply, by which investments could benefit from maximum rates except in exceptional cases where a lower rate could be granted. See p. 4 of Commission, *Note à l'attention des Messieurs les Membres de la Commission, Objet: 707ème réunion du Comité des représentants permanents -21.11.1971, Politique régionale, Bruxelles 23 novembre 1973* [SEC(73) 4412].

¹⁵¹ See Commission proposal and positions of delegations in p. 4-5 of *Conseil, Note, Objet: Politique régionale: résumé des travaux du Groupe de travail 'politique régionale' au sujet de certains éléments relatifs aux problèmes concernant le Fonds de développement régional actuellement soumis à l'attention du Comité des Représentants Permanents. Réunion des 22/23 novembre 1973, Bruxelles 27 Novembre 1973* [R/2911/73 (ECO 302) (FIN 744)].

Since October 1969 the Commission had proposed similar terms for a role in regional economic policy. The core terms of a Community competence would essentially consist of a competence to co-ordinate national regional policies, programmes and budgetary appropriations and policies and, on the other hand, a capacity to undertake development actions bringing along Community means in a concerted manner with national actions. Certainly throughout the 1970s, the Commission altered and amended in their 'technical' aspects the modalities of policy co-ordination and also the functioning of financial instruments. Indeed, as the actual proposals underwent the scrutiny of national delegations, modifications and concessions on various aspects of the Commission's proposals -such as the institutional place of the Committee for regional policy, the type of financial instrument, the eligibility conditions, etc.- were made by the Commission but, substantially, the broad terms of the Community intervention on regional policy remained valid.

A role in regional economic policy for the Community was laid down in the regional regulations of 18 March 1975, but had the Community actually gained a competence of pursuing an actual regional policy? A form of solidarity had been attained at least in quantitative terms, because financial solidarity worked in favour of those countries with the deepest imbalances¹⁵². Nonetheless, the operation of the ERDF was drawn up to unequivocally support the development measures of member states. The Community system of aids put in place in March 1975 clearly gave no assurance that the Community was to effectively perform a regional policy apart from redistributing budgetary sums. To start with, no delimitation of specific Community regional imbalances was attained. The Commission had proposed eligible regions as those complying to the criteria of low revenue per capita, unemployment and migration. In the end however, all nationally assisted regions became eligible for ERDF. Second, the varied intensity of assistance in favour of the most needy regions at Community level was also thwarted. Indeed, even though the Commission had proposed the ERDF to apply different rates of assistance, the modulation according to the relative necessity and to the Community interest and quality of the projects (the effective contribution to job creation and maintenance) was scrapped too. Interference in the political discretion to decide where and in which amount assistance was to fall was feared and, thus, ruled out.

On the other hand, the capacity of the Commission to influence national policies emerging in March 1975 had more of a potential than an actual force. The function of co-ordination, as proposed by the Commission, allowed the Commission to be informed regularly on the socio-economic situation of the regions of the Community as well as to be informed on development plans -even though the capacity to influence regional policies was going to prove dependent on the degree of detail of programmes submitted for approval to the Community. Also, concerning the comparison of budgetary projections for regional purposes, the Commission would gain the chance to know and to recommend

¹⁵² Through the quota system Italy, Ireland and UK were to receive 74 % of the total of the ERDF resources while these three countries contributed to 34.9% of the total budget of the Community. Romus P. (1975), *Introduction à l'économie Européenne* from the Annual Budget 1975 -*Budget pour l'exercice 1975*, JO L 175 du 7 July 1975, p.36-37.

modifications in the expenditures, notably to propose changes in budgetary loads in so far as the Community interest was concerned. National delegations -far from accepting the original Commission's proposal to chair the Committee for regional policy- accepted, nonetheless, to institutionalise the Commission's right of opinion and proposition, notably, on issues of co-ordination among national measures, on policy options, on budgetary policy, on the use of Community resources and, overall, on the direction towards a Community regional policy.

Certainly, the Commission expected that the appropriations from Community own resources to the ERDF would not only become permanent but increase in the future. Nonetheless, to start with, financial solidarity was never envisaged as the paramount form of intervention. Indeed, it is hard to see how an additional -but nonetheless clearly marginal- contribution of Community financial resources to some individual development projects could be conceived as an adequate policy response to the severe risks posed by the lack of approximation of regional structures upon both the continuation of the common market and the timely realisation of EMU. Financial solidarity was understood by the Commission not only as marginal in relation to national resources but aiming at the more pragmatic and less ambitious objective of unloading the disproportionate budgetary efforts that some countries had to face in order to prepare the attainment of EMU while keeping up with common market rules and EMU disciplines. Being fundamentally marginal, financial solidarity was conceived by the Commission as secondary and dependent on a function of co-ordination to be performed at Community level. In other words, the true impact of Community intervention would rest, first, on the Community's involvement at the policy-making stage, namely, at the putting into place of regional programmes which had been consulted with the Committee for regional policy and approved at Community level; second, in the common engineering of policies for the encouragement of public and private investment, and third, in the concerted intervention of national with complementary Community means.

IV. THE NEGOTIATIONS: THE EMU PROCESS AND ECONOMIC AND STRUCTURAL PARALELLISM

The long process through which the Community came to adopt the first regional policy regulations of March 1975 is the subject of this final chapter. Chapter III has outlined the concrete terms which regional intervention was proposed to consist of as well as the main disagreements over the technical aspects of Community intervention. But even without taking into account the concrete disagreements over the technical forms of Community intervention and their resolution, the acceptance of a Community competence in regional policy i.e. the acceptance by all delegations of the principle of an extension of Community responsibilities into a new policy area was certainly contested. However, an agreement of principle, on both a form of co-ordination and of regional solidarity, was reached before the Paris Summit of October 1972 and was linked to the process of unfolding and negotiation of the EMU Programme. Section A below will deal with the period of vigorous negotiation leading to the agreement of principle on a regional competence. Section B will deal with the final stages of the negotiations revolving around the modalities of Community intervention -particularly the financial aspect. Indeed, after the Paris Summit, from 1973 till 1975, once the Nine had reached an agreement on the points of principle, a new stage began where the issues under contention -although certainly involved highly politicised issues, such as the size of the ERDF- became of a more technical nature.

A) The agreement of principle on both a co-ordination of national regional policies and financial solidarity (1970-1972)

Let us recall from chapters I and II that, at its own discretion, and via two successive Memorandums in February and December 1969, the Commission warned the Council of the damaging effects of economic policy divergence for the continuation of the common market and, thus, argued that incompatible medium term -but also short term- economic policy choices were the reflection, among other causes, of structural disparities. Notably, an uneven pattern of success in the achievement of structural transformations played a decisive part in economic divergence and policy incompatibility. Then, amongst the major structural disparities putting at risk the continuation of the common market, the Commission pointed to structural rigidities at regional level and proposed two strands of action: a task of co-ordination of national regional policies and the undertaking of concrete concerted actions of regional development accompanied by a measure of Community regional solidarity. The negotiation of both strands of action took different paces; the agreement of principle on the undertaking of co-ordination of national regional policies was accepted relatively swiftly (point 16), whereas the agreement of principle on financial solidarity proved much more arduous (point 17). Both however, were agreed before October 1972.

16. The acknowledgement by the Council of DGII's conceptualisation and the acceptance of principle of a co-ordination of national regional policies

The reception by the Medium-term economic policy Committee of DGII's structural diagnosis -of the causes of the divergent performance of the economies of the Six put forward by the I Barre Plan- was truly auspicious. The Medium-term economic policy Committee said in its opinion on the I Barre Plan:

A co-ordination, even if strengthened in the medium term, of the global economic policy objectives (growth, employment, prices and balance of payments) risks to prove insufficient. Experience shows, in fact, that compatible global orientations in themselves can hide, during a certain time, certain structural disequilibria. The latter could run against, in the longer term, the *mise en œuvre* of the concerted global objectives. The Committee therefore congratulates the Commission to have underlined the need to search for, at the Community level and in accordance with the general orientations of the medium term programmes, solutions to national structural problems.

The Committee considers that the most appropriate way to attain that result would consist of a mutual and permanent consultation on decisions of structural character in the framework of the development strategies followed in the long term. To this effect, it envisages to proceed, in conformity with the mission that it has been trusted by the decision of the Council of 15 April 1964, to exchange views regularly towards a concertation in this field¹.

In the above statement the Medium-term economic policy Committee acknowledged the principle of structural action by the Community institutions even though, as it will be seen below, the actual type of structural action proposed by the Medium-term economic policy Committee was circumscribed to the examination in common of structural policy guidelines.

The favourable terms of the Medium-term economic policy Committee were adhered to by the Council, which on 26 January 1970, from the examination of the I Barre Plan, acknowledged the principle of structural actions to be undertaken by the Community while the 1969 proposal had still not been debated by the Council. The Council of 26 January 1970 accepted the assessment of the I Barre Plan and agreed to the Commission's suggestion to elaborate the III MTEP Programme on the basis of global compatible orientations. On this occasion the Council also accepted the laying down -in the III MTEP Programme- of priority structural actions and it expressly directed the Medium-term economic policy Committee to spell out priorities for Community action on structural geographical imbalances. In giving this mandate to the Medium-term economic policy Committee, the Council was endorsing the conceptualisation of a specific Community regional objective as arising from the concern for a balanced and convergent expansion of the economies of the Six in the medium term.

The following stage would concern the range of possible Community actions in the structural field. While the conceptualisation on regional imbalances in global structural terms i.e. linked to a search for

¹ Commission, *Rapport du Comité de Politique économique à moyen terme sur le Mémoire de la Commission au Conseil du 12 février 1969 (avant-projet)*, Bruxelles 10 juin 1969 [OR II-133/69]. See original French text in

convergence as brought up by the I Barre Plan, was being examined by the Council, the Commission presented to the Council on 17 October 1969 a draft decision proposing a function of co-ordination for the Community and the undertaking of concrete development actions concerted with national actions and complemented with Community means. The 1969 proposal, although born out of differences between DGXVI and DGIV (see introduction chapter III), was not a proposal aimed expressly at sectoral (agricultural) objectives but, rather, it was a proposal for the tackling of the structural causes of economic and policy divergence. In fact, the 1969 proposal can be understood as falling under DGII's umbrella i.e. as putting forward regional actions as part of a package devised to effectively attain a degree of compatibility among economic policy choices of the Six and the adequate functioning of a common market which appeared to be at risk as a result of the divergent economic evolutions of its members.

Before being examined by Coreper, the 1969 proposal was first examined by the Medium-term economic policy Committee which, in April-May 1970 -while the III MTEP Programme was being prepared- gave its opinion on it². The reaction of the Medium-term economic policy Committee to the 1969 proposal was lukewarm. Notably, although the Medium-term economic policy Committee acknowledged the importance of the link made by the Commission between balanced growth and structural geographical imbalances i.e. although the Medium-term economic policy Committee fully agreed with the Commission that the harmonisation of the orientations in the medium term ought to be coupled with structural actions tending to a harmonisation and to an improvement in the structures for the firm realisation of the quantitative orientations drawn up, this Committee believed that rather than pursuing deliberate and concrete actions of development, the type of actions to be undertaken at Community level ought essentially to be sought in the framework of general economic policy guidelines in the medium term³. In other words, regional action by the Community ought to consist purely of macro-economic policy orientation:

The reduction of the existing disparities and the prevention of new disparities depends mostly on the orientation itself of the general economic policies; besides the latter increasingly tend in all countries to integrate in their objectives the organisation of the economic and human territory⁴.

Thus, in contrast to the Commission's proposal -for the latter intended a common examination of concrete regional problems as well as, crucially, the undertaking of concerted interventions- the Medium-term economic policy Committee advocated solely the task of examining in common national

appendix. Incidentally, the Council decision of 15 April 1964 referred to in the quotation, concerned the establishment of the Medium-term economic policy Committee and the laying down of its tasks (point 2, chapter I).

² Commission, *Comité de Politique économique à moyen terme, Projet révisé. Avis sur la proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional (présentée par la Commission au Conseil)*, Bruxelles 23 avril 1970 [OR II-397/70].

³ Commission, *Comité de Politique économique à moyen terme, Réunion des suppléants du 30 janvier 1970. Résumé des conclusions*, Bruxelles 4 février 1970, p.1[2243/II/70].

⁴ Commission, *Comité de Politique économique à moyen terme, Projet révisé. Avis sur la proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional*, p.2 [OR II-397/70]. Original French text in appendix.

regional policies within medium term economic policy priorities and the opportunity to study first of all, rather than to propose, specific actions⁵. Indeed, the choice made by the Medium-term economic policy Committee -after having been given the Council mandate of 26 January 1970- to opt in favour of dealing with regional action within the scope of medium term economic co-ordination rather than in the framework presented by the Commission in its proposal of October 1969 was a choice purely for issuing structural policy recommendations. Nonetheless, the Medium-term economic policy Committee pointed out that Community intervention ought to be confined to problems of common interest and it approved the Commission's intention to establish priorities⁶.

Regarding the concrete instruments proposed by the Commission in October 1969, and in particular regarding the setting up of a permanent Committee for regional policy, the Medium-term economic policy Committee underlined the utility of regular meetings among State representatives and the Commission in order to study the elements of regional policy which deserved to be discussed in common⁷. However, not all members approved of the competences that the Commission wanted to grant to such a body. Disagreement over the tasks to be undertaken by such a committee for regional policy as well as in relation to its institutional location arose. Firstly, a Committee for regional policy animated by the Commission caused institutional difficulties since regional policy remained a national responsibility. Besides, according to the Medium-term economic policy Committee, since the ultimate aim was the insertion of regional policy into medium term economic policy guidelines, such Committee ought to be placed under the orbit of the Medium-term economic policy Committee or, otherwise, a part of its members ought to be also seating at the Medium-term economic policy Committee itself. Only this way would the links and an effective articulation between regional policy and medium term economic policy be guaranteed. In sum, the Medium-term economic policy Committee opted to deal with regional issues in the context of global medium term economic guidelines and as a subcommittee of the Medium-term economic policy Committee⁸.

Although the type of regional actions advocated by the Medium-term economic policy Committee kept regional policy within the confines of global economic policy orientations, the acceptance of the undertaking of concrete actions of development was going to be agreed in the next months by the Council. Indeed, the actual examination of the 1969 proposal by the Council, which was pending, began just a few days after the project of III MTEP Programme had been transmitted. The first reactions within Coreper were not promising: at the preparation of the Council session by the Coreper session of 25 July

⁵ Commission, *Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 38ème réunion du Comité (13 février 1970), Bruxelles 18 février 1970*, p.3 [2250/III/70].

⁶ Commission, *Comité de Politique économique à moyen terme, Réunion des suppléants des 11 et 12 Mars 1970. Résumé des conclusions, Bruxelles 9 avril 1970*, p.2. [OR II-391/70].

⁷ Commission, *Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 39ème réunion du Comité (28 avril 1970), Bruxelles 1 juin 1970* [OR II- 408/70].

⁸ In those same confines of global economic policy, making recommendations and retaining the globalist stance, the Medium-term economic policy Committee submitted the preliminary draft of III MTEP Programme keeping regional action to recommendations on the economic policy sphere rather than proposing the acquiring of concrete capacities of action for the Community. The project of III MTEP Programme was transmitted -without amendments from the Commission- to the Council on 23 January 1970.

1970 the French ambassador ruled out any concrete action on regional policy but accepted to take regional policy to the Council for a general debate⁹. A questionnaire outlining a possible range of actions by the Community in the regional domain was prepared by the subgroup of economic questions of Coreper and transmitted to the Council to facilitate the discussion of the ministers¹⁰. The Council of 26-27 October 1970, however, found after holding a general debate on the 1969 Proposal that on the basis of that questionnaire, delegations displayed a fair degree of agreement on various points of principle, and indeed, on some common denominators. Thus, the Council made its very first choices regarding regional action and accepted for the first time that the Community had a responsibility in regional policy for the correction of severe (urgent) regional disequilibria within what had then become a programme for EMU¹¹. Concretely, the Council agreed unanimously on four common denominators¹²: (1) permanent confrontation; (2) the undertaking of concerted actions and the co-ordination of regional policies; (3) action in the field of regional aids; and (4) a better utilisation of existing financial means.

By (1) a permanent confrontation, the Council accepted the discussion in common of objectives, means, methods and experiences of regional development among the Six on a regular basis. As concerns (2) co-ordination, the Council understood co-ordination as a progressive aim involving the undertaking of concerted actions and appropriate solutions at Community level for some specific -but not agreed upon- regional priorities. Regarding the creation of a Committee for regional policy as the instrument to carry out the co-ordination, the Council noted the utility of such a Committee but it disagreed over its tasks and its institutional location. Indeed, most delegations opposed a committee of regional development within the orbit of the Commission. Regarding (3), the Council agreed on the need to continue the search to attain a co-ordination of regional aid systems -as in fact was taking place under the direction of DGIV (point 9, chapter II)- while the Commission promised to inform the Council on the conclusion of these works¹³. As far as (4) the creation of new financial instruments for specific regional purposes is concerned, the Council displayed an overtly negative reaction and could only agree on the opportunity to study the potentialities and the better utilisation of existing means

⁹ Commission, *Note à l'attention des membres de la Commission, Objet: 565ème réunion du Comité des Représentants permanents 23/7/1970, Proposition de décision du Conseil relative à l'organisation de moyens d'action en matière de développement régional et Note sur la politique régionale de la Communauté, 25 Juillet 1970* [SEC(70) 2884].

¹⁰ See Conseil, *Projet de compte rendu sommaire de la 568ème réunion tenue à Bruxelles, les 15-17 septembre 1970* [1683/70 (RP/CRS 30)] and Conseil, *Note. Objet: Proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale dans la Communauté* [R/1791/1/70 (ECO 184) (FIN 335) rév.1].

¹¹ Cros (1975) *op. cit.*, p.43.

¹² See Conseil, *Relevé des décisions prises par le Conseil lors de sa 129ème session tenue les 26/27 octobre 1970* [R/2457/70], Conseil, *Relevé des décisions prises par le Conseil lors de sa 129ème session tenue les 26/27 octobre 1970* [T/641/70] and Conseil, *Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régionale et Note sur la politique régionale, Bruxelles 6 Novembre 1970* [R/2276/70 (ECO 229) (FIN468)] including *Annexe: Compte rendu sommaire des opinions et commentaires exprimés par les différents délégations au cours de la session du Conseil des 26/27 Octobre 1970 sur la liste d'options en matière de politique régionale*.

¹³ These works were completed by 23 June 1971 and the Commission transmitted to the Council the Communication of 30 June 1971: *Communication de la Commission au Conseil concernant les régimes généraux d'aides à finalité régionale*, JO C 111 du 4.11.71.

To sum up, the Council of 26-27 October 1970 displayed some basic common points of agreement (in principle) and acknowledged regional actions beyond an intervention confined solely to policy recommendations -as upheld by the Medium-term economic policy Committee. From national preferences a minimal agenda of concrete actions had been agreed in principle.

By March 1971, these common denominators of preliminary agreement regarding action in the regional domain were first confirmed by the adoption by the Council of the III MTEP Programme. Indeed, on 8-9 February 1971 the Council adopted the III Programme¹⁴, and in its regional provisions, it confirmed the common denominator views that the Council had recorded on 26-27 October 1970 (let us recall that responding to the Council's mandate of 26 January 1970, the Medium-term economic policy Committee was entrusted to drawing up the III MTEP Programme on the basis of compatible macro-economic objectives for the period 1971-1975 as well as to define the main structural actions which needed to be undertaken at national and Community level). In a section devoted to the role of the Community in the structural field¹⁵, the III MTEP Programme noted that the main task of the Community in the structural field consisted of favouring the formation of a large unified market by primarily 'framework actions'. Yet, framework actions alone were not sufficient to respond to the possibilities offered by the large common market, neither to prevent increasing disparities nor to avoid national actions neutralising each other. In fact, specific concerted actions, to deal directly with certain structural disparities which could unbalance the process of economic and social development of the Community, needed to be engaged urgently¹⁶. Concretely, the III MTEP Programme made a choice for certain types of structural actions whose importance seemed paramount in order to favour a balanced social and economic development and drew guidelines on them¹⁷. Among other types of structural actions, and particularly as far as regional actions were concerned, the III MTEP Programme chose: first, a better concertation regarding infrastructures and the main sectoral policies bearing in mind their interactions with regional development, and second, a co-ordination of aids in the sense of confronting major cases in order to develop a doctrine in the field as well as co-ordinating regional aid systems as such. But beyond such concertation and co-ordination, the III MTEP Programme stated a shared responsibility regarding regional problems:

the balanced development of the Community implied that to the states' responsibility a Community responsibility was added in relation to certain problems of common interest¹⁸.

All in all, the III MTEP Programme was laying down the acceptance in principle to confront i.e. to examine in common, and to co-ordinate national regional policies¹⁹, as well as defending the need for

¹⁴ Officially the III MTEP Programme was adopted on 22 March 1971, JO L 49 du 1.3.71.

¹⁵ See paragraphs 107 to 125.

¹⁶ Paragraph 107.

¹⁷ Paragraph 109. See original French text in appendix.

¹⁸ Paragraph 119 of III MTEP Programme. See original French text in appendix.

¹⁹ Paragraphs 117 and 118.

actual and concrete interventions on a number of priority problems of common interest²⁰. Concerning financial means, it also made recommendations on the national use of financial incentives, called for a better use of existing Community means, and the study and reform of existing Community financial resources and the creation of new ones -should the existing means proved insufficient²¹ -as had been agreed on 26 October 1970. But it was particularly in the definition of the scope or the field of application of Community intervention where the major contribution of the III MTEP Programme would reside. Indeed, a progressive co-ordination of regional policies and of regional aid schemes had been agreed in principle by the Council on 26 October 1970, but disagreements in the definition of the priorities to guide Community interventions remained unsettled. In fact, the delimitation of the common problems of Community interest had so far proved controversial. But the III MTEP Programme laid down an agreed set of priorities among problems of common interest, namely, the problems of large backward agricultural regions, frontier regions, problems arising from the regional impact of principal common policies (CAP), and regions in decline due to changes in dominant economic activities²². These priorities were also re-confirmed by the resolution on the attainment of EMU by stages adopted by the Council at the same Council session which officially adopted the III MTEP Programme.

Recapitulating, the agreement of principle to the co-ordination of national regional policies took place officially on 22 March 1971 with the adoption by the Council and the Governments of the member states of the III MTEP Programme. Yet the engagements of principle made by the Council in the III MTEP Programme were not going to change the fact that disagreements remained on the manner in which the co-ordination and the concertation of actions would take place. Indeed, the III MTEP Programme did not enter into the materialisation of co-ordination, such technical work corresponded to Coreper in the examination of the 1969 proposal; rather, the contribution of the engagements made in the III MTEP Programme -even if they were not binding- was to state the political intentions of principle.

With the co-ordination of national regional policies being accepted in principle from March 1971, negotiations from then onwards would concern only the modalities of such co-ordination. Particularly, the disagreement regarding the institutional position of the Committee for regional policy, as the instrument to promote the co-ordination of national regional policies (point 12.2, chapter III), was going to become the main issue of contention among delegations, while the elements of concertation between national and Community systems of aids in undertaking concrete development actions were going to be discussed in the context of the setting up of the procedure for the intervention of financial instruments.

17. The agreement of principle on financial solidarity within the context of EMU

²⁰ See paragraph 119 of III MTEP Programme.

²¹ See paragraphs 123-125.

²² See the quote of the priority problems of common interest as spelled out in the III Programme in point 14.1 (chapter III).

The process of EMU was instrumental to the acceptance of a regional policy for the Community. Not only did the progress in the negotiations over the Commission's concrete proposals -particularly as far as regional solidarity was concerned- proved dependent on progress in the EMU agenda but, fundamentally, EMU offered the backdrop against which most delegations came to accept structural actions, while also providing a crucial boycott value to turn into acceptance the opposition to the regional dossier. Clearly, the linkage of regional policy to EMU originally made by the Commission in the I Barre Plan proved determinant in the attaining of a convergence of views among delegations. So, how and in which specific terms did the EMU agenda fuel the acceptance of a regional dossier?

17.1. The first resolution EMU: structural parallelism and 'appropriate resources' in the first stage EMU

On 1-2 December 1969 the Heads of State and Government at The Hague stated their political will to endeavour to proceed by stages towards the achievement of economic and monetary union and entrusted the Council to draw up a plan of action in order to attain by stages, and on the basis of the I Barre Plan, an EMU²³. In fact, since the end of 1968 interest in monetary co-operation at Community level had grown among EEC countries for internal reasons as well as conditioned by external developments, namely, an international context of gradual collapse of the Bretton-Woods system.

From 22 July 1944 the Bretton Woods agreements provided the rules of an open and liberal post-war economic order to govern the international monetary system²⁴. Unlike the classic gold standard system, the Bretton Woods system introduced a new monetary regime based on the gold-dollar standard²⁵. In fact, with the introduction of the Bretton Woods system what was left of the gold standard was solely a system for pegging exchange rates to one another by defining them in terms of fixed weights of gold, but since the price of gold was low and no international transaction was settled in gold, in practice, a dollar system was installed. Conspicuously, however, under the Bretton Woods system the US was, in practice, exempt from maintaining the equilibrium of its balance of payments. Effectively the US could conduct its monetary policy in the light of its national political objectives as well as enjoying an exceptional advantage in terms of trade, as it could purchase other countries' products by resorting to the issuing of excessive quantities of paper money (Moussis, 1994). Thus a mass outflow of dollars, through the balance of payments deficit, soon led to a mass of dollars accumulating from year to year outside the US.

²³ See final Communiqué of The Hague Conference of 1-2 December 1969 in JO C 136/15 du 11.11.1970.

²⁴ Through the creation the International Monetary Fund and the laying down of the General Agreement on Tariffs and Trade (GATT), the Bretton Woods system established a new multilateral trading system. The agreements set out three main principles: the convertibility of currencies between one another, the equilibrium of balances of payments and the maintenance of fixed parities, which meant that it was for each country to defend the parity of its currency as defined by a certain weight in gold. Moussis N. (1994) *Access to European Union*. Brussels, Edit Eur.

²⁵ That is, gold remained the ultimate unit of account but only in the sense that the dollar was pegged to gold and other currencies pegged to the dollar. Thus, while the US held its reserves in gold; other central banks could keep their reserves either in gold or in dollars -or pound sterling- which could in principle be converted into gold. 'But the new gold-dollar standard was very different from the classical gold standard. Gold coins were not to circulate; there were tough restrictions on gold import and exports; national currencies could no longer be converted at central banks; and citizens of participating countries could not even hold gold for most purposes. Under these new arrangements gold reserves and domestic money supplies were even less closely linked than before'. Dyson (1994). *Op. cit.*, p. 42.

especially in Europe²⁶. Apart from the shortcomings by the IMF in the collective supervision of the exchange rates, ultimately, the downfall of the Bretton Woods system was attributable to the structural problem of the anchor currency, the US dollar (Dyson, 1994). That is, by providing reserves to the rest of the world the US was incurring in persistent balance of payments' deficits which, aggravated by the consequences of the Vietnam War, led gradually to destroy both the credibility of the Bretton Woods system and, particularly, the confidence in the dollar's convertibility. Already in 1968 the US Treasury ceased to allow Germany and others to draw on US gold reserves. Although the concrete collapse of the Bretton Woods system did not occur till August 1971 -with the suspension of the convertibility of the dollar into gold- (point 17.2), the *de facto* end of the convertibility had already taken place in March 1968 with the creation of a two-tier gold market (Tsoukalis, 1977).

Yet, although certainly influenced by the background of external factors, the consideration by the Community of monetary co-operation in the late 1960s targeted, in particular, the intra-Community effects of the international monetary turmoil, that is, the risks posed for the continuation of the common market and the functioning of the CAP as arising from intra-EEC exchange-rate modifications. Indeed, up to the late 1960s, exchange rates within the Community had remained relatively stable; but this fairly long period of exchange stability, as well as the Governments' widespread belief in the permanent fixity of intra-EEC exchange rates, came to an end by 1968, as the Community came to experience the first severe monetary crisis of its history.

The domestic political crisis of May 1968 in France and a substantial deterioration of the French balance of payments (see point 1, chapter I) fuelled speculative attacks on the FF which led the French Government to introduce exchange controls. Side by side with the worsening French evolution, the large payments surplus trend in Germany not only underlined the structural power of Germany within the EEC, but also propelled financial market operators to speculate on a devaluation of the FF and/or a revaluation of the DM (Dyson, 1994). An emergency meeting of the Group of Ten (G-10) was convened in November 1968 in Bonn. This meeting, in which Britain, France and the US put strong pressure on the Federal government to revalue the DM and ended without Germany yielding, not only condemned the FF to devaluation but, moreover, gave the evidence, to France in particular, that German economic power was to be feared (Tsoukalis, 1977). In May 1969 a new speculative crisis broke out. Funds from other European countries as well as the US flowed into Germany in prospect of a revaluation of the DM and with the objective of a speculative gain²⁷. Once more, the pressure from US, Britain and France to revalue the DM proved fruitless and the German Finance minister ruled out revaluation.

Crucially as well, the interest on monetary co-operation for the two countries which were going to lead the process of monetary integration i.e. Germany and France, shifted by the end of the 1960s (Tsoukalis, 1977). On the one hand, in France the strong fear of a loss of national sovereignty and the reluctance to

²⁶ These dollars in circulation outside the US gradually became the instrument for a market independent of any monetary authority, the Euro-dollar market.

²⁷ Tsoukalis (1977), *Op. cit.*, p.75 notes that in May 1968, at the climax of the crisis, the daily inflow of funds into Germany reached US\$1,500m.

accept any scrutiny in national economic policy was put aside as post De Gaulle French policy makers - the General had resigned in April 1969 - realised that, faced with a display of German might, neither the strength of the French economy and balance of payments nor fixed intra-EEC exchange rates were guaranteed any longer. On the other hand, while for Germany, since the signing of the EEC Treaty, the Atlantic Community was considered the ideal framework for economic and monetary co-operation, by the end of the transition period, the perception of deteriorating attitudes towards Germany and a new coalition of power saw the growing importance of EEC markets for Germany i.e. the increase of economic interdependence between the EEC economies²⁸.

In this context of growing interest and national responsiveness in monetary co-operation, the I Barre Plan of February 1969, which originally had a lukewarm reception, came to be increasingly welcomed in so far as it could provide the framework for common economic policies and for the creation of a regional monetary bloc. The governmental initiative and drive was taken, in fact, by Chancellor Brandt in December 1969 at the Hague Summit²⁹. The German Chancellor emphasised the degree of interdependence between the EEC countries and called for the creation of a European EMU in two stages. The first would concentrate on the creation of the necessary conditions for the convergence of the economies of the Six and, if the Community were successful in formulating common economic policies, then a complete EMU could be attempted in the second stage. President Pompidou also endorsed the objective of EMU, although putting the emphasis on immediate monetary action. At the end of the Conference, Heads of State and Government gave the Council a mandate to elaborate a plan of action leading to EMU. The elaboration and negotiation of this programme of action towards EMU, was going to provide the optimal bargaining 'conditions' in which the acceptance of an expansion of Community competences into regional policy became workable.

Effectively, regional actions entered the discussions on the programme of action towards EMU through the disputes between 'monetarists' and 'economists'. Let us recall (from point 3.2, chapter I) that, in the I Barre Plan, DGII not only had coupled economic and monetary aspects in a package responding to the threats being posed by divergent economic and monetary evolutions to the functioning of the common market but, furthermore, DGII had built in a direct link between a scenario of economic and policy divergence and its structural roots. Such parallelism between economic and monetary aspects proposed in the I Barre Plan, however, was by no means incontestable to national delegations -let alone a parallel structural agenda. Indeed, the debate in the run up to the adoption of a plan by stages towards EMU was characterised by two major positions. On the one hand, the monetarist approach: primarily defended by those countries undergoing monetary turmoil -mainly France- but also Belgium and Luxembourg; and, on the other, the economist position led by Germany, and followed by the Netherlands and Italy, which stressed the priority for economic policy co-ordination in order to procure the necessary policy convergence which would securely lead to the realisation of a complete EMU.

²⁸ Tsoukalis (1977) *Op. cit.*, p. 80-81.

²⁹ Although EMU was mentioned by almost all representatives of the member countries at The Hague Summit the tone of the conference was clearly set by the German Chancellor. Tsoukalis (1977) p. 85.

Disagreement in relation to the strategy to attain monetary unification was clearly revealed for the first time at the Hague Summit³⁰. As mentioned above, Chancellor Brandt proposed to proceed through two stages. In the first stage, the Community would pursue the attainment of economic policy co-ordination by the adoption of compatible macro-economic policy objectives in the medium term and an effective harmonisation of short term economic policy as both proposed by the I Barre Plan. If, and only if, the Community was successful in formulating common economic policies, a subsequent stage of completion could be launched with the creation of a European Reserve Fund, to which Germany was in principle prepared to transfer a proportion of its foreign reserves³¹. Yet, particularly for the interests of this thesis, by 1970 the German 'economist' position not only gave an absolute priority to economic co-ordination measures but also advocated structural action, or what one could refer to as 'structural or regional parallelism'. Namely, according to the German Federal finance minister Schiller³², as the economies of the Six had reached a high degree of interconnection, economic disequilibria among member states had started to translate at Community level into distortions and restrictions to the circulation of goods, services and capital, with the final consequence of influencing directly and immediately the evolution of the Community as a whole, as well as disrupting the functioning of the common organisation of the agricultural sector. In pure macroeconomic terms, decisive progress in the harmonisation and co-ordination of economic policies was vital. Yet, while divergences in the economic objectives were partly the result of structural differences, the existence of severe economic disequilibria among the economies of the Six could compromise the realisation of the common macroeconomic global objectives as well as rendering monetary union illusory. Positive action was needed in order to place differences between national structures within limits which would not hinder the general evolution of the Community. Thus, a first stage of EMU needed to pursue the creation of the preparatory grounds for the harmonisation of economic and monetary policies and, precisely to this end, action in the regional field was a requirement. A second stage would concern the realisation of a more balanced economic development. At the end of this second stage, the harmonisation and co-ordination of economic policies needed to be so advanced as to exclude the occurrence of external disequilibria among the members. A third stage would allow the actual entering into an EMU. At this stage, appropriate structural policy measures would be undertaken to improve economic structures of the Community and increase policy efficacy.

Not only in order to prevent a system of monetary support from becoming a bottomless pit, but also to prevent 'irresponsible' economic policies thwarting the attainment of exchange and price stability.

³⁰ Tsoukalis (1977) *Op. cit.*, chapter 5.

³¹ According to Tsoukalis although the first explicit declaration by the Chancellor accepting the creation of a European reserve Fund to which the Federal Republic would be prepared to transfer a given proportion of its foreign reserves did not take place until The Hague Summit, the setting up of a European Monetary Fund and the institutionalisation of a system of mutual aid for balance of payments reasons was seemingly accepted at political level in December 1968. Tsoukalis L. (1977), *Op. cit.* p.27. The readiness of Germany to contribute financially is also noted by Kruse D. C. (1980) *Monetary Integration in Western Europe: EMU, EMS and Beyond*, p. 242.

³² See letter by M. Schiller, Federal minister of economic affairs to M. Jean Rey President of the Commission. Brussels 18 February 1970 [SA(70) 1463] enclosing a Memorandum of the German Government on the realisation of EMU: *Le Ministre Fédéral des affaires économiques, Mémoire: Lignes générales d'un plan par étapes pour la réalisation de l'union économique et monétaire de la CEE, Bonn 12 février 1970.*

structural actions were, in principle, welcome to German eyes. The first signs of a favourable German reception of actions for the approximation of the structures of the members came at the time of the examination of the I Barre Plan. Germany was, in fact, the only delegation insisting all throughout the Council's examination of the I Barre Plan that the definition in common of macro-economic objectives in the medium term was not sufficient to attain a real co-ordination of policies, but rather, that structural actions ought to be launched in parallel³³. Throughout the 1970s Germany would advocate paramount importance to action towards economic and policy convergence and on the structural aspects which contributed to both. All in all, in the run up to the embracing of the monetary programme, structural actions were understood by Germany as part and parcel of the attainment of the co-ordination of national economic policies. Besides Germany and DGII³⁴, the Italian delegation would be the overt activist in pushing for a regional competence for the Community in the context of EMU. The Italian stance by the late 1969 and the early 1970s is described by Tsoukalis as similar to that of the Deutsche Bundesbank. Indeed, although in the following years the Italian Lira would enter into severe balance of payments difficulties, by 1969, Italy still enjoyed a situation of continuous payments surpluses³⁵. The Netherlands, however, despite displaying an overall economic performance very close to German evolution and siding with Germany in its defence of priority for economic co-ordination, always proved very reluctant to regional actions.

The 'economist' stance found in France the most direct opponent. Indeed, in opposition to the Italian and German position, which considered parallelism and structural action as decisive to guarantee the realisation of EMU³⁶, the French felt unevenly attracted to the monetary flank of the EMU package. Notably, particularly prone retain full sovereignty in economic policy and keen on the element of monetary solidarity i.e. to the mechanisms of support in the short and medium term, France remained reluctant to accept both institutional consequences as well as an interference on national structural policies. For the French, monetary measures were of a vital interest and paramount for both the survival of the common market and the operation of the CAP, while economic commitments and structural actions were subsidiary and, thus, would follow in due time as EMU would gradually unfold. Indeed, at the core of the row between economists and monetarists there was the controversial aspect of a mutual aid system for the correction of disequilibria in national balances of payments. DGII had tried in the I

³³ See p. 2 of *Conseil, Note, Objet: Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté -Résumé des observations principales présentées lors de la réunion du Comité des représentants permanents le 17 juin 1969, Bruxelles 20 juin 1969* [R/1055/69 (AGRI 141) (FIN 134)], p.2 of *Commission, Note à l'attention des Membres de la Commission. Objet: 517ème réunion du comité des Représentants Permanents du 17 juin 1969 -Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. Bruxelles 19 juin 1969* [SEC(69) 2419], p.2 of *Conseil, Note, Objet: Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. -Examen par le Comité des Représentants permanents, Bruxelles 14 juillet 1969* [R/1316/69 (AG 181) (FIN 187)].

³⁴ See points 3, 5 and 6 of *Commission, Communication au sujet de l'élaboration d'un plan par étapes vers une union économique et monétaire, Bruxelles 4 mars 1970* [COM(70) 300].

³⁵ Tsoukalis (1977), *Op. cit.*, p. 74.

³⁶ See *Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 580ème réunion du Comité des Représentants permanents: 9/10.12.1970, -Réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 12 décembre 1970* [SEC(70) 4596].

Barre Plan to strike a balance between monetary solidarity and structural measures. The I Barre Plan had proposed that within an EMU, situations of fundamental disequilibria and the risk of national governments' resorting to parity modifications in order to recover equilibrium were addressed by the establishment of a mutual aid system, ultimately, a monetary fund which would intervene in situations where a member state was faced either with difficulties or with severe risks of difficulties in the balance of payments³⁷. Particularly concerning the creation of such a monetary fund, the economist approach held that the sole creation of such a financial instrument was insufficient and defended a parallel action on the actual structural causes of disequilibria, notably, in order to minimise a tendency to a repeated resort to such monetary instrument. Opposed to the economist approach, the monetarists defended monetary solidarity vividly, while portraying a far less zealous attitude towards economic policy co-ordination -let alone structural solidarity. In brief, while the economist position perceived regional action by the Community to prevent the loss of external equilibria and the over-resorting to monetary solidarity, the monetarist approach would simply not accept structural actions linked to monetary objectives.

All in all, although the I Barre Plan had placed the regional dossier within the considerations of a plan by stages towards EMU, such policy linkage was only supported by Germany and Italy. Clearly the 'necessity' of regional action in the context of EMU, as from 1970, was by no means shared by all delegations, as the priority -meaning also the simultaneity and efficacy- of economic policy co-ordination in a programme towards monetary union was questioned by the monetarists countries, and particularly by France. Indeed, rather than inevitable, the concrete step to start up certain type of action regarding the problem of unharmonised structures would have to result from the acquiescence of all delegations, that is, as a result of a political decision which, to make any headway, was going to require an imposition of political will over the most reluctant delegations.

So, while the EMU Programme was induced, by the policy linkage drawn in the I Barre Plan, to reflect on the need -in principle- for regional actions, and concrete proposals for regional action were available in the background (let us recall that just some months before, in October 1969, the Commission had submitted to the Council a proposal to organise means of action towards regional development i.e. the 1969 proposal³⁸), the EMU Programme started to unfold resolutely. Indeed, in order to devise a plan of action leading to EMU, the Council set up an *ad hoc* working party gathering the five presidents of the Monetary Committee, the Committee of governors of Central Banks, the Medium-term economic policy Committee, the Short-term economic policy Committee and the Budgetary Committee and the Commission under the presidency of Pierre Werner³⁹, through which all member states were represented. The Council's mandate of 6 March 1970 instructed the drawing up of a Report (the future Werner

³⁷ The Commission had proposed in the I Barre Plan of February 1969 the creation of a medium term -as well as a short term -mechanism of financial support (see point 3.2.). In March 1971 the Council adopted a decision in favour of such creation. See particularly article 2 of *Décision (71/143/CEE) du Conseil du 22 mars 1971 portant la mise en place d'un mécanisme de concours financier à moyen terme*, JO L 73/15 du 27.3.71.

³⁸ By mid 1970 only the Medium-term economic policy Committee had produced an opinion on the 1969 proposal (point 16), that is, Coreper had not yet started the examination of the 1969 proposal.

Report) on the realisation by stages of EMU, which would analyse different suggestions and lay down the fundamental options for the realisation of an EMU by stages⁴⁰.

While the Werner Group prepared its report, DGII submitted a new Memorandum -II Barre Plan- which, for our interest, followed the contents of the I Barre Plan and insisted on the principle of parallelism and on the requirement to support economic and monetary measures by a policy to reduce structural disparities among member states⁴¹. Clearly the fact that The Hague Conference of 1-2 December 1969 called for the elaboration of a plan to attain EMU by stages on the basis of the I Barre Plan must have encouraged DGII to press resolutely for the policy linkage between regional and economic aspects of an EMU plan of action.

On 20 May 1970 the Werner Group transmitted an interim report⁴² -the conclusions of which were adopted by the Council on 8-9 June 1970⁴³- and a final report on 13 October 1970⁴⁴. From the beginning, the Werner Group shared common views on the final objective of EMU which it defined as 'the total and irreversible convertibility of currencies, the elimination of fluctuation in exchange rates, the irrevocable fixing of parity rates and the complete liberation of movements of capital', as well as on the time scale for the completion of such an objective i.e. in the course of the decade. Yet, the Committee disagreed on two major points: the strategy to follow in order to reach the final objective, and the political and institutional implications of the running and attainment of a European EMU⁴⁵.

Particularly concerning the strategies to reach monetary unification, economists and monetarists disagreed on the contents of the first stage of EMU. For economists, monetary unification implied the realisation of an economic union; whereas for monetarists, the Community could reach a *de facto*

³⁹ At the time, Prime minister and Minister of finance in the government of the Grand Duchy of Luxembourg.

⁴⁰ Notably: *un rapport comportant une analyse des différentes suggestions et permettant de dégager les options fondamentales d'une réalisation par étapes de l'union économique et monétaire de la Communauté*. See *Décision du Conseil du 6 Mars 1970 relative à la procédure en matière de coopération économique et monétaire* JO L 59/44 du 14.3.1970 and *Bulletin des CCEE* 5-1970 p. 50. In English in Annexe to *Bulletin of the EECC* 11-1970.

⁴¹ See the insistence on structural parallelism in point 3 and point 5 of Commission, *Communication au sujet de l'élaboration d'un plan par étapes vers une union économique et monétaire*, 4 Mars 1970 [COM(70) 300].

⁴² *Rapport intérimaire au Conseil et à la Commission concernant la réalisation par étapes de l'union économique et monétaire de la Communauté*, Werner Report, Supplément au *Bulletin des CCEE*, 7-1970 or in JO C 94 du 23.7.1970.

⁴³ See p. 10-11 of *Conseil, Communication à la Presse sur la 116ème session du Conseil les 8 et 9 juin 1970*, Luxembourg 9 juin 1970 [1085/70 (AG 170)].

⁴⁴ On 13 October 1970 the final Report Werner was submitted to both the Council and the Commission: Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community. Luxembourg 8 October 1970. Supplement to the *Bulletin of the EECC* 11-1970, or French version: *Rapport au Conseil et à la Commission concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté (texte final)*, 15 octobre 1970, JO C 136 du 11.11.1970.

⁴⁵ The report outlined three stages, defined the final stage in so far as the final objectives were concerned, laid down the options for the first stage and left the intermediary stage open. At the final stage, the principal decisions of economic policy would be taken at Community level, which meant institutional changes and consequent transfers of responsibility to Community institutions. In fact, the Werner Group did not find it difficult to define the ultimate stage of EMU except as far as the institutional and political implications for the adequate running of an EMU were concerned. On the institutional aspects as well as on the contents of the intermediate stages, the French reluctance to make commitments that they considered 'premature' left the intermediate stages undefined. As far as stage one was concerned, on the institutional aspect the Werner report envisaged the creation of two new organs of decision-making: a centre of decisions for economic policy accountable to the European Parliament and a Community system of Central Banks.

monetary union without having an effective system of economic co-ordination; namely, a quick progress in the monetary field, by an early narrowing of fluctuation margins accompanied by a form of balance of payments aid, would oblige national governments to co-ordinate more effectively their economic policies. The economists feared that the establishment of such monetary solidarity could lead to a situation where countries in surplus would end up financing the deficit of other countries indefinitely without being able to force the latter to take any corrective measures⁴⁶. Concerning the first stage of EMU, the dispute was about the priority of economic co-ordination measures over strictly monetary measures. Monetarists proposed the immediate creation of a reduced intra-EEC margin of fluctuation within the internationally agreed margins and the institution of a 'Exchange Stabilisation Fund' or, in other words, credit facilities for countries in severe deficit⁴⁷.

The Interim Werner Report could not strike agreement between economists and monetarists on the question of the introduction of the joint float (the snake) and the setting up of an 'Exchange Stabilisation Fund' during the first stage. The final Werner Report, also unable to approximate positions while at the same time trying to strike consensus between monetarists and economists to launch a European EMU, considered that economic and monetary measures were to be interdependent and reinforce one another i.e. the harmonisation, and finally the unification, of economic policies should be parallel to monetary unification. In other words, the invocation of the principle of parallelism enabled the members of the Werner Group to present a unanimous report (Tsoukalis, 1977). Let us not forget that rather than settling policy disputes the aim of the Werner report was to identify the basic issues for a realisation of EMU by stages; in other words, the negotiation of policy strategies would be a matter for the Council to sort out.

All in all, by October 1970, as the Council had on its table a consensual plan of action towards EMU, the balance between economists and monetarists seems to have turned in favour of the latter. Indeed, comparing the original German position, both at The Hague Summit and by early 1970s, with the final recommendations of the Werner Report, France had managed to procure large concessions: first, concerning the institutional reform and the long-term political implications of an EMU -on which the French did not want to make premature commitments-; second, on the laying down of intermediary stages -which the French also refused to spell out-; and third, and most important for the interest of this thesis, on the order of priorities in which the different steps towards monetary union and the provisions for the first stage were concerned. Indeed, the compromise on parallelism struck by the Werner Group in as far as the measures for the first stage were concerned, secured for the monetarists an experimental launch of the snake in stage one and, if proven successful, a monetary fund would follow to manage the mutual aid mechanisms and take over the management of reserves at a later stage. In the end, the

⁴⁶ Tsoukalis (1977), *Op. cit.*, p. 92.

⁴⁷ Tsoukalis notes that although an early narrowing of intra-EEC margins of fluctuation had been discussed at the early stages of the preparation of the Interim Report, a Exchange Stabilisation Fund, or in other words, the creation of creating a common Fund during the first stage of EMU was completely new. Proposed by Giscard d'Estaing. neither the Commission nor any other member state had proposed such a Fund before May 1970. Tsoukalis (1977). *Op. cit.* p. 91-92.

compromise on the measures associated with the first stage (the narrowing of margins and the activation of a medium term financial aid mechanism -on which only an agreement of principle had been made) were accepted, but seemingly, not without a serious dislike by Germany and the Netherlands, for whom 'the idea of creating a regional monetary bloc without at the same time having the benefits from an advanced economic and political integration within this bloc was the worst of all worlds for both countries'⁴⁸.

On the economic co-ordination side, the final Werner Report proposed that the basis of that co-ordination should be the carrying out of at least three annual surveys on the economic situation in the Community⁴⁹. These surveys would allow the determining, adaptation and surveying of compatible macro-economic objectives, on the basis of which a final Annual Report on the Economic Situation of the Community would be produced. Co-ordination of medium-term and short-term economic policy could be enforced in the manner suggested by the I Barre Plan, and co-ordination of budgetary policy and fiscal policy would follow suit⁵⁰ in the already existing panoply of co-ordinating Committees functioning before the Commission and the Council. Thus, in order to successfully co-ordinate economic policies, the Werner Group seems to have considered it sufficient to draw up compatible macroeconomic policy orientations in the medium term and to reinforce short-term economic policy co-ordination by generalising a compulsory prior character of consultations in the above major aspects of economic policy. Indeed, no new proposals on the aim of co-ordinating economic policies, that is, beyond those proposed for the attainment of economic policy co-ordination in the I Barre Plan, were proposed by the Werner Group; and moreover (as it will be seen below) structural actions were reduced to a rather minimalist presence. But, structural actions aside, the terms and the weight given by the Werner report to the need for convergence of performances and policies do not seem to have been considered unsatisfactory by the economists countries themselves, who, rather than questioning the sufficiency and effectiveness of the existing infrastructure and procedures for policy co-ordination, seem to have objected primarily to rushing into monetary actions at a stage considered too premature i.e. before a convergence in economic policies had been effectively attained.

All in all, the Werner Group seems to have believed that the realisation of EMU consisted simply of a matter of political will (Tsoukalis, 1991). Indeed, as a result of the compromise between economists and monetarists, the Werner Group seems to have considered that the maintenance of fixed exchange rates was not only a feasible political option for national governments, but also that the need for concrete Community intervention was seemingly minimal. Probably foreseeing the governments' unwillingness

⁴⁸ Tsoukalis (1977) *Op. cit.*, p. 109.

⁴⁹ See section V. The first stage of final Werner Report.

⁵⁰ Concerning budget policy the final Werner Report defended quantitative guidelines on the principal elements of the public budgets 'notably on global receipts and expenditure, the distribution of the latter between investment and consumption, and the direction and amount of the balance' with a special attention to the method of financing deficits or utilising surpluses. On fiscal policy the objective was the progressive and complete suppression of fiscal frontiers in the Community by, as regards indirect taxes, the generalisation of the value-added tax and the adoption of a programme of alignment of rates of tax adopted, and as far as direct taxes were concerned, by the

to enter into coercive forms or more extensive plans which would guarantee an effective co-ordination of economic policies, the political prioritisation of price stability over national economic policy preferences which would guarantee stable exchange-rates was a matter left to, and depending primarily on the political will of, the national governments. Conceiving a tighter form of co-ordination of economic policies as well as, two, stepping in those factors with a bearing on external equilibria (i.e. the economic structures) was probably conceived unrealistic by the Werner Group at the time. Thus the Werner Group seems to have believed that by committing to EMU, member states could simply succeed in bending national policy preferences as regards employment, growth or price levels, together with their associated domestic pressures, to the common interest in maintaining price stability and fixed exchange rates⁵¹. In sum, for the Werner Group the conclusion was that the abandonment of the tool of changes in exchange rates was achievable by a simple harmonisation of economic policy preferences -as the elimination of payments imbalances depended, essentially, on the national governments having the political will to co-ordinate national preferences and to maintain stable exchange rates; while other factors, such as the divergence in economic structures and their effect on price levels, on productivity imbalances and, finally, on exchange rates, remained well within national discretion.

But what were the concrete recommendations of the Werner report concerning structural actions? As far as structural actions in the final stage was concerned, both the interim Werner report and the final Werner report recognised the need for the Community to step into new policy domains in the final stage of EMU:

To ensure the cohesion of the economic and monetary union, transfers of responsibility from the national to the Community level will be essential. These transfers will be kept within the limits for the effective operation of the Community and will concern essentially the whole body of policies determining the realisation of general equilibrium⁵².

And in fact, structural geographical imbalances were earmarked as a matter affecting general economic equilibria:

The realisation of global economic equilibrium may be dangerously threatened by differences of structure. Co-operation between the partners in the Community in the matter of structural and regional policy will help to surmount these difficulties, just as it will make it possible to eliminate the distortion of competition. The solution of the big problems in this field will be facilitated by financial measures of compensation. In an economic and monetary union, structural and regional policies will not be exclusively a matter for national budgets⁵³.

harmonisation of the fiscal regimes having a direct influence on the movement of capitals. See section V Final Werner Report.

⁵¹ See p. 162 of Tsoukalis L. (1991) *The New European Economy. The Politics and Economics of Integration*. Oxford, Oxford University Press.

⁵² Section III: The Ultimate Goal, Werner Report, October 1970.

⁵³ See section III: The Ultimate Goal.

So, the Werner Group accepted -but in particular for the final stage -a certain transfer of competence in regional policy in so far as structural geographical distortions were likely to influence the realisation of general equilibrium and affect the overall development of the Community as well as provoke -via the national responses- distortions to competition arising from regional state aids. The Werner Group accepted co-operation among national policies for structures and, in fact, a system of structural solidarity was unanimously recognised for a future stage of EMU where, on the one hand, the resort to national modification of parity to recover equilibrium in the balance of payments was ruled out and where, on the other hand, the presence of regional imbalances would run counter to and be likely to compromise the objectives of growth, employment, stability and external balance. Indeed, on 20 May 1970 the interim Werner Report recommended in slightly hazy terms, for the final stage of EMU, the establishment of a form of financial *péréquation*:

Structural disparities could well pose a dangerous threat to the achievement of overall economic equilibrium. Co-operation between the Community partners in the field of structural policy will help to overcome these difficulties, while at the same time allowing distortions of competition to be eliminated. Financial offsetting measures will make it easier to solve the key problems in this field. Structural and regional policies cannot be implemented solely under the national budgets⁵⁴.

The final Werner report of 8 October 1970 noted, in almost identical terms to the Interim Report, that for the final stage the solution of the larger problems in the regional and structural field would be facilitated by measures of financial compensation⁵⁵.

But, even if in the context of a plan by stages towards EMU the Werner Group was accepting the need for the creation of some form of financial solidarity, such solidarity was perceived as a requirement for a future stage of EMU. For the first three years of the staged process, however, -notably from 1971 till 1973- the report did not accept the principle of a requirement for regional action, and certainly not on regional solidarity. In fact, the interim Werner report made no explicit reference to a structural agenda of actions for stage one, and only competition considerations relating to regional measures were raised in the conclusions. Following the Interim Report, the final Werner Report took the most minimalist position mentioning only the need to draw up in the first stage 'an inventory of the aids and subventions in order to harmonise and allow fair competition and an approximation of the criteria for granting aids favouring certain regions or certain industries'. Indeed, from the lack of emphasis given to structural considerations in the Werner report, the Werner Group seems to have subscribed to the belief that modifications in exchange rates were purely the result of lack of economic policy co-ordination or, in other words, that fundamental disequilibria and the subsequent exchange-rate instability were, in essence, a consequence of lack of policy harmonisation. In turn, this meant that different policy

⁵⁴ 'The establishment by stages of economic and monetary union in the Community: Interim report to the Council and the Commission', *Bulletin of the EECC*, Supplement 7- 1970.

⁵⁵ See page 11 of 'Report to the Council and the Commission on the realisation by stages of economic and monetary union in the Community', Luxembourg 8 October 1970, *Bulletin of the EECC*, Supplement 11- 1970.

preferences were behind disequilibria in the balance of payments, and consequently, that if national policies were harmonised, then alterations in exchange rate could be ruled out altogether.

Particularly concerning the poor profile given by the Werner Group to a regional agenda of actions for the first stage, on 29 October 1970 the Commission argued that the first stage ought to be completed with actions in the regional and structural domain, in the sense of the orientations gaining ground in the context of medium term economic policy co-ordination⁵⁶. Calling on the agreements on priority structural actions being made in the project of III MTEP Programme the Commission pointed at the insufficient emphasis given in the final Werner Report to regional and structural needs in the first stage⁵⁷.

In fact, the poor consideration of regional aspects given by the Werner Group, particularly concerning regional solidarity in a first phase of actions towards EMU, was confirmed to be shared by most national delegations at the Council session of 26-27 October 1970. Indeed, a general opposition to any immediate engagement on regional actions was clearly displayed at the first general Council debate on the 1969 proposal of 26-27 October 1970 (point 16). Preparing for that Council session, Coreper had re-casted a range of possible regional actions in a questionnaire, and the Council had accepted a number of minimum common denominators, namely, a co-ordination of national regional policies, some co-ordination of regional aid systems and the study of financial possibilities. Particularly concerning financial interventions, national options ranged from the pure acceptance of principle of a better use of the existing means towards solving regional problems, to supporting the creation of brand new financial means -new and specifically regional in purpose- as the Commission was suggesting in the 1969 proposal. The Council of 26-27 October 1970 could only unanimously agree on the lowest common denominator, that is, on the need to use better the existing means and on a previous study of the potential adaptation of the EAGGF and of the ESF for regional objectives. In relation to the creation of new financial instruments to target those regional problems constituting a Community priority, the delegations took their preliminary positions: some ruled it out altogether (France), others considered it premature (Belgium, Netherlands, Luxembourg), others supported it (Germany⁵⁸, Italy). In sum, in the context of the examination of the 1969 proposal the reluctance to create a regional fund was being re-

⁵⁶ See p.3 of Commission, *Communication et propositions de la Commission au Conseil relatives à l'institution par étapes de l'union économique et monétaire, Bruxelles 29 octobre 1970* [COM(70) 1250].

⁵⁷ Let us recall that the Council of 26 January 1970 had asked the Medium-term economic policy Committee to lay down in the project of III MTEP Programme concrete priority actions of regional development (point 16). The project of III MTEP Programme had laid down those actions and had just been transmitted to the Council on 23 October 1970.

⁵⁸ Let us recall that during the examination of the I Barre Plan which took place throughout 1969, only Germany had raised and insisted on the need for structural actions. The defence of regional solidarity, even if Germany would end up being the paymaster for regional appropriations, seems to show the conviction of the economist position defended by Germany who had considered from the very beginning that economic policy co-ordination was absolutely essential to the process towards monetary unification and to its consolidation. It also seems reasonable to believe that Germany preferred the idea of a net financial contribution towards structural causes which would minimise the use of monetary support in the long term than to use of resources to support the deficit of 'irresponsible' economic policies narrowly defined according to national preferences.

directed into a debate on the adaptability or insufficiency of existing Community means to respond to regional challenges.

So, by late 1970 not only did the requirement for regional action in the first stage of EMU look rather inauspicious from the conclusions of the Werner Report, but specifically, the Council of 26-27 October 1970 had expressed (apart from the recognition of some minimum common denominators) a clear reluctance to engage in any financial aspect of regional action in the immediate future. In fact, the discussion on regional financial resources had now moved to a study of the potential of existing financial means for regional purposes. DGXVI started the drafting of a report on existing financial possibilities i.e. on how the existing means could be improved, which it submitted to Coreper on 5 December 1970 (point 13.3, chapter III). Clearly, by the end of 1970, irrespective of the DGII's insistence on securing a parallel attention to a regional agenda within the first stage of EMU, it must have seemed at the time that the cause for a regional dossier and in particular for regional solidarity was lost, as all delegations except Italy saw regional *péréquation* as a matter to consider in the distant future.

Yet suddenly the unexpected happened; before Coreper had begun to examine the Commission's report on existing financial means, on 9 February 1971 the Council passed a resolution on the attainment of EMU by stages. In this resolution the policy linkage between the regional and EMU agendas, particularly for the first stage of EMU, which DGII had drawn up and advocated unsuccessfully since the I Barre Plan, was unexpectedly endorsed by the Council. Concretely, in the resolution on the achievement of EMU by stages the Council accepted the principle that -particularly during stage one of EMU- progress on monetary union would be parallel to progress in the field of economic union and that such parallelism would entail regional action by the Community also in a financial sense. So, how was such a leap forward achieved in the context of the unpromising scenario and the reluctant positions of the majority of the delegations of late 1970? Clearly, no functional inevitability had been set off but, rather, this political engagement to address regional problems within the context of the first stage of EMU was the result of tough intergovernmental negotiation.

The Council of 26-27 October 1970 discussed and accepted the final Werner Report. From then onwards the Council proceeded to the adoption of a resolution which, based on the Werner Report, would express the political will to establish an EMU by 1980 as well as laying down the programme of action for the first stage (1971-1973)⁵⁹. The Council of 23 November 1970 charged Coreper to prepare the debate for a single Council session of 14 December 1970 which would adopt this resolution. Thus, from the beginning of December 1970 Coreper began the negotiation of this draft resolution. Leaving aside various other sources of disagreements among delegations over the plan of action for the first stage and

⁵⁹ A draft resolution had been put forward by the Commission, namely, in *Communication et propositions de la Commission au Conseil relatives à l'institution par étapes de l'union économique et monétaire, Bruxelles 29 octobre 1970* [COM(70) 1250]. However, due to the unwillingness of some delegations to define the competences which ought to be transferred for the final stage the project of resolution presented by the Commission was in fact redrafted altogether by Coreper for a new resolution dealing and stating the competences which ought to be transferred in the first stage solely. See p. 3 of Commission, *Note à l'attention de MM. les Membres de la*

on institutional aspects of the running of an EMU, as far as regional policy is concerned, the first draft resolution prepared by Coreper transposed the poor consideration to regional actions within the plan of action of the Community in the first stage towards EMU given by the Werner Group. Against this background, from December 1970 the Italian delegation in Coreper announced that its approval of the whole resolution would remain conditional on the making by the Council of precise engagements concerning regional actions as from 1971. Indeed, from the Coreper session of 9-10 December 1970 the Italian delegation stated, as non-negotiable condition for the endorsing of the EMU programme as a whole, the prerequisite of a specific engagement by the Council to take on board regional objectives in the framework of EMU, and to do so from the first stage⁶⁰. Against this sudden hard-line reaction, the most severe opposition came from the French delegation. Already with Coreper's examination of the 1969 proposal the French had proven to be the least keen to open up regional policy to Community interventions. But, at the same time, the French delegation was also the least keen to see monetary measures made subsidiary to economic co-ordination concerns or delayed by other parallel dossiers, as France in particular, felt most the urgency to unconditionally assist chronic deficits in national balance of payments affecting the stability of exchange rates. Subsequent sessions of the Council and Coreper⁶¹ could not reach a compromise on the Italian veto. The Italians were blocking the proceeding of the adoption of the resolution in an attempt to gain assurance that appropriate regional decisions would be taken in stage one of EMU. Finally, the French gave some ground in their opposition to parallel regional actions and the Council of 8-9 February 1971 agreed on the text of the resolution on the achievement by stages of EMU, which was officially adopted by the Council and the representatives of the member states on 22 March 1971, hereafter referred as first resolution EMU⁶². Through this first resolution EMU, regional objectives were brought into the EMU programme as from 1971.

Commission, Objet: 580ème réunion du Comité des Représentants permanents: 9/10.12.1970. -Réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 12 décembre 1970 [SEC(70) 4596].

⁶⁰ See the Italian boycott stance in: *Commission, Note à l'attention de MM. les Membres de la Commission. Objet: 580ème réunion du Comité des Représentants permanents: 9/10.12.1970, -Réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 12 décembre 1970 [SEC(70) 4596]. Commission. Note à l'attention de MM. les Membres de la Commission, Compte rendu de la 136ème session du Conseil -Bruxelles- du 14/12/70, Bruxelles 15 décembre 1970 [SEC(70) 4626]; Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 583ème réunion du Comité des Représentants permanents: 14/1/1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 18 janvier 1971 [SEC(70) 117]; Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -État d'avancement des travaux, Bruxelles 18 janvier 1971 [T/21/71 (FIN)]; Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 584ème réunion du Comité des Représentants permanents: 21/1/1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 23 janvier 1971 [SEC(71) 234]; Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 586ème réunion du Comité des Représentants permanents: 4 février 1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. Bruxelles 5 février 1971 [SEC(71) 416]; Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -Projet de résolution/décision du Conseil et des Représentants des Gouvernements des États membres. État d'avancement des travaux, Bruxelles 5 février 1971 [R/228/71 (FIN 46)].*

⁶¹ That is, of 14 December 1970 and of 14 January 1971, 4 February 1971 respectively.

⁶² Resolution of the Council and the representatives of the Governments of the member States on the achievement by stages of economic and monetary union in the Community, JO C 28 du 27.3.1971 or in English in *Bulletin of EEC* 4-1971 p.19-26.

But what was it agreed exactly? The Council of 8-9 February 1971 resolved that during the first stage of EMU the Commission would propose measures in the regional and structural domain in order to reduce the tensions likely to compromise the attainment of EMU so that to give a start of a solution to priority regional problems -as outlined by the III MTEP Programme⁶³. Particularly, the measures proposed by the Commission would aim at giving the Community 'appropriate resources' and, crucially, the Council committed itself to decide on the measures proposed by the Commission. That is:

In order to reduce, by taking action in the regional and structural sphere, any tensions which might jeopardise the timely achievement of economic and monetary union, the Council shall decide, on a proposal of the Commission, on the measures required to provide an initial solution to the most urgent problems, due account being taken of the guidelines laid down by the III medium-term economic policy programme, in particular by making available to the Community the appropriate means under the Treaties currently in force⁶⁴.

This paragraph -as it will be seen below- would become the object of wide ranging interpretations but it seems, at least, to lay down an engagement by the Council to decide (*statuer*) on necessary measures concerning priority problems as defined by the III MTEP Programme -among them measures of compensation- in the first stage of EMU. So, the resolution was, first, an engagement of principle on regional action at Community level within the context of EMU, even though the engagement by the Council in the resolution did not specify the possible or actual contents of the so-called 'necessary measures', or what was meant by 'appropriate resources'. But second, the resolution did also commit the Council to a time scale: the Council had to decide on the contents of regional action during 1971-1973 as part of the development of the EMU Programme.

Although the actual commitment made by the Council in the first resolution EMU was left undefined, the resolution did settle two elements of content which had caused disagreements in the technical examination of the 1969 proposal which took place in the context of the subgroup of Coreper dealing with the regional dossier. First, the resolution confirmed the object of Community intervention, namely, to what the III MTEP Programme defined as 'priority problems' (point 14.1, chapter III), and second, by introducing the notion of 'resources' the first resolution made the first formal commitment to undertake concerted actions of regional development at Community level -which the Council had accepted preliminary on 26 October 1970.

Regarding the final stage of EMU, the resolution stated that the Community would contribute, along with the member states, to the balanced development of the Community in order to solve the most important problems. The Community would undertake the necessary actions in the structural and regional domain in the framework of a Community policy, secured with appropriate means:

⁶³ The III Programme was also adopted in the same Council session (see point 16).

⁶⁴ First resolution EMU of 22 March 1971 i.e. Resolution of the Council and the representatives of the governments of the member States on the achievement by stages of economic and monetary union in the Community, Section III. 4. Bulletin of the EECC 4-1971, p. 22, or JO C 28 du 27.3.71 p.3-4.

the structural and regional measures called for in the context of a Community policy possessing appropriate means, so that these, too, may contribute to the balanced development of the Community, in particular with a view to solving the most important problems⁶⁵.

Member states agreed that during stage one of EMU a European Monetary co-operation Fund could be set up⁶⁶, but as the EMU programme gradually advanced, the resort to this form of monetary solidarity would be gradually replaced by a stronger Community capacity regarding structural solidarity; thus, on the final stage of EMU, the Community would contribute, along with member states, to the balanced development of the Community in order to solve the most important problems.

The regional aspects of the resolution were by no means the most controversial at the time of the negotiation of the resolution EMU; rather, the main disputes involved the French Government against the other five countries and concerned the political and institutional aspects of the final stage of EMU. In fact, member states did not challenge the compromise of parallelism struck by the Werner Group for stage one. The negotiation of the resolution was instead marked by the French refusal to make any commitments on institutions, transfers of powers or revision of the Treaty. Indeed, a policy U-turn had occurred on the French side as a result of a fierce and successful attack on the EMU Programme which had been launched from October 1970 by Gaullists on the grounds of an inadmissible sell out of national sovereignty. The Gaullist reaction forced a policy swing by the French Government which opened a wide breach between France and its partners (Tsoukalis, 1977). Thus, in the face of the French lack of commitment to the continuation of the EMU venture after the completion of the first three years and their reluctance to consider institutional aspects⁶⁷, Germany demanded the insertion of a 'safeguard clause', by which the reversibility of the monetary measures in the first stage could be raised at the end of a five year trial period, if the transition to the second stage and the desired parallelism between progress in the economic and monetary fields had not been ensured. Clearly Germany was not willing to renouncing the attainment of economic and policy convergence and, in practice, was warning monetarists that without sufficient convergence no monetary measures would be allowed to proceed. The resolution also noted that an assessment on the progress made during the first stage, notably on the observance of parallelism and the distribution of powers and responsibilities between Community institutions and member states as required for the functioning of an EMU⁶⁸, would be undertaken by the Commission before the end of the first stage.

⁶⁵ Council Resolution of 22 March 1971, Section I.

⁶⁶ The first resolution EMU notes for stage one: 'The Council invites the Monetary Committee and the Committee of Governors of the Central Banks to draw up, in close collaboration and by June 1972 at the latest, a report on the organisation, functions and statute of a European Monetary Co-operation Fund, to be integrated at a later stage into the Community organisation of the Central Banks provided for under paragraph I, 2 above, in order to allow the Fund, in the light of the experience gained with respect to the reduction of margins and the convergence of economic policies, possibly to be set up during the first phase. They shall submit this report to the Council and to the Commission'. See section V, 8.

⁶⁷ The final resolution could only admit that institutional issues as well as the transition towards the final stage remained to be resolved.

⁶⁸ See section IV.

To recapitulate, even if the adoption of the first resolution EMU of March 1971 revealed the meagre commitment to the achievement of EMU, a backtracking France and a distrusting Germany, nonetheless, against all the odds, in March 1971 the laying down of a plan of action for a first three-year period towards monetary unification brought the forced entry of a substantial Council engagement on regional action. At first sight, the adoption of the first resolution EMU had pushed forward the regional dossier in various senses. First, the principle of structural parallelism was being institutionalised and regional policy had become a structural component of EMU. Second, the regional dossier, which had been unanimously perceived as acceptable at a final stage of EMU, was becoming, in fact, a matter for the present -indeed, the Council had engaged to decide on necessary measures as from 1971 and within the following three years. These engagements, although certainly not concrete, placed regional policy within the umbrella of EMU agenda and engaged the Council to decide on regional action by the Community before 1973 and to decide on 'appropriate means'.

Let us finally note that the process of adoption of the first resolution EMU, as well as the conception of an EMU programme as such, was separate from enlargement negotiations. No observable direct connection relevant for the regional dossier occurred between them. Indeed, throughout the process of elaboration of the objectives and the stages of an EMU programme, enlargement issues had been absent. The candidate countries did not intervene and, in fact, they were also expected to take up the EMU objectives:

Mr. Barre has pointed out that in the terms of The Hague agreement, the establishment of an economic and monetary union is one of the grand political options of the Community that ought to be accepted by all the candidates to the enlargement⁶⁹.

In the months after the EMU resolution of 22 March 1971, the examination by Coreper of the 1969 proposal resumed. Even if the adoption of the first resolution was expected to bring a considerable political impulse for the regional cause, the negotiation in Coreper on the concrete proposals proved unable to make any considerable progress beyond the common denominator positions reached at the Council session of 25-26 October 1970. By October 1971 the negotiations had reached deadlock.

Indeed, the state of affairs of the regional dossier by October 1971 became as follows⁷⁰: regarding the co-ordination of policies, delegations had confirmed their agreement to undertake at Community level 'a confrontation of objectives, means, methods and experiences in order to reach progressively co-ordinated objectives, modalities for undertaking concerted actions, appropriate solutions at Community level and

⁶⁹ See p. 2 of *Commission, Commission Économique du Parlement Européen. Compte rendu sommaire. Luxembourg, 13 Juillet 1970* [SEC(70) 2767]. Original French text in appendix.

⁷⁰ The following points reflect the situation at the time of the report of 14 October 1971 prepared by Coreper for the Council of 20 October 1971. In fact, this report had been charged by the Council of 25-26 October to Coreper, but, due to subsequent changes - the adoption of the first resolution EMU and the Commission proposals of May 1971 - Coreper did not submit the final report until 14 October 1971. *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale*, 14 Octobre 1971 [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2].

perspectives of development for the whole of the Community'⁷¹. The only step forward was the settling of the disagreements regarding the priorities to guide Community actions⁷². Delegations also agreed to submit concrete regional development plans to the Committee for regional development for the regions falling under the selected priorities and accepted their common examination. The institutional position of the Committee for regional development remained, however, a matter of dispute.

Regarding state aids, a co-ordination of regional aid systems rather than a preliminary examination of individual cases, was emerging as an alternative solution to the original DGIV's proposals. It was in the context of a Commission's group bringing together DGIV and national experts on aid schemes that a resolution on the co-ordination of regional aid schemes was drawn and accepted by the Council on 20 October 1971 (point 9.1.1, chapter II). The co-ordination of regional aid schemes emerged independently of both the examination by Coreper of the 1969 proposal and the unfolding of the EMU Programme.

Regarding financial solidarity, the resuming of the negotiations after the adoption of the first resolution EMU saw the reluctance of most delegations to honour the engagements made in the plan of action towards EMU. Certainly, the principle of regional action involving financial resources had been established by the first resolution, but the reluctance of most delegations to stand by this commitment held on to various interpretations of 'appropriate means' as well as on the timing of introduction of those means. Endless discussions on the interpretation of the resolution of 22 March 1971 followed, and with it, the negotiation of the 1969 proposal developed into a discussion on the appropriateness of existing means to cover regional needs, and into wrangles over the date from which financial resources for regional purposes ought to be put in place. Although the Commission had pointed out that, since 17 October 1969, the Council had had on its table a first proposal for action in regional policy, and the Council had therefore on its hands all the elements required to honour the engagements made at the first EMU resolution, the tone of the debates reflected the lack of national predisposition to provide the Community with new financial instruments during the first stage of EMU.

As regards the timing of the introduction of regional financial resources, for Italy the first resolution conveyed the gaining of new means for regional development purposes as from the present i.e. as from 1971. A step away, for Germany, the terms of the first resolution EMU stated a commitment by the Council to make concrete decisions, during the first stage EMU, on the modalities of the new means, even though the new means would not be put into effect in the first stage EMU. The German delegation proposed to draw up a final report at the end of the first stage of EMU to study either the 1969 proposal

⁷¹ That is, 'il doit être procédé, entre les Etats membres et la Commission, à une confrontation permanente des objectifs, des moyens, des méthodes et des expériences en matière de politique régionale, cette confrontation devant conduire à la mise au point d'objectifs coordonnés, à des actions concertées et à des solutions appropriées au niveau communautaire' See p. 6 of Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)].

⁷² Indeed, these priorities had been agreed by the Medium-term economic policy Committee and confirmed by the Council of 21 March 1971 in its adoption of both the III MTEP Programme and the first resolution EMU (point 16).

or any other alternative proposals for the creation of new means. Although opposing the technique of interest rebates, for Germany, the plan of action towards EMU entailed a parallel commitment to create new means. The Belgian delegation considered that during the first stage, the Council could proceed to the adaptation of the existing means and to the laying down of the modalities for the new means while continuing to work on the co-ordination of regional aid systems. For France, at the minimal end of the range, the Council commitment was interpreted as an engagement only to study new financial possibilities. Such a study would have to be undertaken by Coreper or by the Committee for regional development, the creation of which had been suggested by the 1969 proposal.

A clear commitment to regional solidarity was also undermined by the diverging national positions concerning the sufficiency of a solution of adaptation of the existing means. Germany and Italy, taking on board the possibilities of amelioration that the Commission had pointed out in its report on the Community financial means⁷³ (point 13.3, chapter III), and defending a concentration of Community support on priority problems, agreed that the existing means were insufficient. However, once again, the difference between Germany and Italy was an important one: although Germany -as well as Luxembourg- were not opposed to a new fund, they did not approve of its creation in the first stage of EMU. Germany accepted a regional Fund at the second stage of EMU, that is, from 1974 onwards. For Germany and Luxembourg the first stage it would only decide on the technical modalities of intervention of the new means, so that it could start functioning from the second stage. Belgium's position was to support the creation of other means apart from the existing ones at its due time as well as to advocated a more efficient utilisation of the existing means. The French and Dutch considered that the Commission's judgement on the insufficiency of the existing means was not fully justified since a good number of possible improvements in the functioning of existing means was feasible. In their opinion, this analysis of the room for reform or amelioration of existing means ought to be continued by the Committee to be created. The Dutch considered that a better utilisation of the existing means in combination with the existing national means offered sufficient potential for resolving the emerging regional challenges. The French supported the Dutch, adding that although not opposed to the study of a new fund, its creation should be dependent on and subsequent to the realisation of transparency in national aid systems. The French tried to link and make any step towards regional financial solidarity dependent on a previous attainment of a harmonisation of national systems of aids. Thus, the Italians blamed the French for trying to delay decisions and for adding conditions which were definitely not present at the time of the adoption of the engagements on the first stage of EMU⁷⁴. The other delegations took the position that a previous harmonisation of national aid systems could not be a condition for the proceeding of the works on the 1969 proposal and its regulations of application⁷⁵. To sum up, although

⁷³ See point 20.1 on this report. That is Commission, *Rapport sur les moyens financiers pour le développement régional*, Bruxelles 27 novembre 1970 [SEC(70) 4377].

⁷⁴ At this stage the Commission was working on the technical elements for the future co-ordination of regional aids which were agreed in June and adopted by the Council straight away (point 9.1.1, chapter II).

⁷⁵ See Coreper report of May 1971: *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régionale et Note sur la politique*

regional solidarity had been accepted in principle in the context of the EMU programme and an engagement had been made to start action from 1971, the engagements which had been gained in the first resolution proved to be not concrete enough to force member states to turn their engagements into actual decisions.

Yet, by May 1971 not only was the delegations' feet-dragging nullifying the general engagements of the first resolution but, in fact, a major policy turn was prompted this time by the Commission, which degraded the scope of the originally proposed regional actions. Indeed, while the majority of delegations were disinclined to materialise the engagements of regional solidarity in the context of EMU, collegiately the Commission decided to switch its original conceptualisation of a global structural objective for a narrower objective instead, namely, a regional continuation of the reform of agricultural structures (point 11, chapter II). Indeed, in an attempt to secure financial resources for a programme of reform of the agricultural sector which had been developing and gaining momentum, on 26 May 1971 the Commission submitted to the Council two regulations outlining the adaptation of the Guidance section for the part-financing of projects of industrial conversion in agricultural regions, and also the intervention of interest allowances for the same purpose.

But the concrete Commission proposals of 26 May 1971 were, once again, not very well received by the six delegations⁷⁶. Belgium opposed the restriction of the regional interventions to agricultural related problems while for Italy the new proposals still fell short. The Italians recalled that the Council had made a political engagement -by its decision concerning EMU's first stage- to provide the Community with 'the appropriate means in the framework of the existing Treaties in order to give a first solution to priority problems, bearing in mind the indications provided by the III MTEP Programme'. From the letter of the first resolution EMU therefore, the Italian delegation demanded a precise and adequate content to that political engagement by, firstly, adopting the necessary provisions for an immediate utilisation of a special section of the EIB in favour of the less favoured regions; secondly by the adoption of both proposals of 28 May 1971; and thirdly, Italy proposed the study of the creation of a Community instrument which would complement the rebate fund and the guarantee system, and which could take the form of a European financial company. On top of all these additional proposals, Italy demanded the opening for immediate use of a special section of the EIB in favour of priority regions, with the aim of creating new industrial activities in less favoured regions⁷⁷. In sum, to the Italian delegation the

régional. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)].

⁷⁶ Finally on 14 October 1971 Coreper completed and updated the report which the Council had ordered back on 27 October 1970: *Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale.. 14 Octobre 1971 [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2]*. This report was discussed in the Council session of 20 October 1971.

⁷⁷ See p. 23, 24 of *Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régional. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)]*.

proposals of 28 May 71 were clearly insufficient to ensure a significant movement of financial means towards the less developed regions.

Germany did not dispute in principle the narrowing down of priorities, and considered the proposals of 28 May 1971 as an acceptable first contribution to regional imbalances in the first stage of EMU as long as the existing ceiling of 285 million u.a. for structural policy purposes was observed and a number of technical aspects on the intervention of the Guidance section were modified⁷⁸. Germany and Luxembourg argued that a decision on the creation of a Committee for regional development could be taken straight away, before reaching a conclusion on the creation of new means. The French position was that the appropriateness of creating new means could be studied once the Committee for regional development was up and running and sufficient experience was gained. Besides, the French (with Dutch support) maintained their position that the new means should be subordinated to finding a solution to the problem of state aids i.e. they linked their acceptance of new means to the realisation of a better transparency in the application of regional aid systems.

Even if the Commission had strategically lowered the initial global structural conception of a regional objective down to a sectoral aim, the delegations' reluctance to launch regional interventions straight away was manifest at the Council session of 20 October 1971 which debated solely on financial solidarity, and almost entirely on the Guidance proposal⁷⁹. Italy and the Commission aimed at gaining a decision of principle and a specific timetable for addressing the creation of new means. For others (Germany, Belgium, Luxembourg) appropriate means for the first stage were interpreted as an adaptation of existing means -namely the Guidance Fund- while new means -the rebate fund or another type- could only start from the second stage. Others (France and the Netherlands) accepted the creation of a Committee for regional development and the partial use of EAGGF for regional actions, but opposed the creation of new means and tried to set aside for the second stage of EMU any decision, even of principle, regarding the new means.

In sum, even if regional commitments to launch parallel regional action during stage one of EMU were made in the first resolution EMU of 22 March 1971, by October 1971 no remarkable progress had been achieved by Coreper in the negotiation over the concrete regional proposals. In fact, even if there was an emerging consensus -subject to the negotiation on the modalities of intervention- on the use of the EAGGF for regional interventions and on the creation of a Committee for regional development, the positions of the delegations differed largely over the concrete time from when decisions had to be made concerning regional solidarity, and also from when resources ought to become operational. Notably, the compromises that had been made at the time of the adoption of a plan by stages towards EMU in March 1971 concerning stage one between economists and monetarists, and the parallel engagements pushed by Italy on regional policy, proved ineffectual to gain from France and the Netherlands the acceptance to

⁷⁸ Notably the intervention of a committee for administering the granting of aids and the procedure for granting aids (points 12.1 and 14.3 respectively, chapter III).

⁷⁹ *Conseil, Extrait de projet de procès-verbal de la réunion restreinte tenue à l'occasion de la 170ème session du Conseil, 20 Octobre 1971 [R/2217/71 (PV/CONS/R 14) Extr.1].*

the creation of a new fund (interest rebate) -even if restricted to agricultural priority regions-; and also to rally the acceptance of other delegations (Germany, Belgium, Luxembourg) to put new resources in operation immediately. Yet, a new wave of progress in the monetary field was going to provide the ideal arena in which political deals, between the various national interests at play in the EMU set up, would propel forward the regional dossier.

17.2. The second resolution EMU: the agreement of principle (7 March 1972) and the decision of principle (10-12 October 1972) to create new and specific means.

After the adoption of the first resolution EMU followed the decision to narrow down the fluctuation margins among Community currencies from 1.5% to 1.2 % to apply as from June 1971. Indeed, among the monetary measures agreed upon for the first stage of EMU, the Governors of the Central Banks were invited to launch the 'snake' in an experimental manner. However, the measure could not be put into effect until April 1972. Notably due to the excessive inflow of short-term capital, two Community currencies (DM and florin) were forced to move beyond the Community agreed margins of fluctuation, and thus, on 9 May 1971 the Council decided to allow for a temporary widening of fluctuation margins⁸⁰. In fact, the German decision to float the DM, in defiance of the opinion of its EEC partners who mainly proposed the introduction of capital controls to stop speculation, was not only a blow to the EMU Programme which had been launched just some months before, but also caused disruption to CAP payments as in 1969, and stirred up old French fears of German economic and political strength (Tsoukalis, 1977). Another monetary crisis was reviving a strong interest in restoring EEC unity. Yet, no consensus could be reached on a return to the snake for the DM and on the control of speculative capital⁸¹, and thus the DM continued its float and the Italian Lira followed suit.

Some months after, and adding to such waves of speculation in the exchange markets, a second decisive blow occurred: an international monetary crisis was unleashed by the US government decisions of 15 August 1971 to suspend the convertibility of US\$ into gold. It has been mentioned before that by the end of 1960s the confidence in the convertibility of the dollar, and thus the credibility of the Bretton Woods system, had been eroding gradually as a result of US Government's management of the dollar's privileged position as international reserve currency. The precipitating event came in August 1971 when Britain requested that the Federal reserve swap a portion of the Bank of England's dollar holdings for sterling. Perceiving in these moves the beginning of a generalised run on the dollar, on 15 August 1971 President Nixon suspended the convertibility of dollars held in foreign official reserves into gold.

⁸⁰ *Résolution du Conseil du 9 mai 1971 concernant la situation monétaire, Bruxelles, 3 juin 1971. [R/1070/1/71 (FIN234) rév. 1]*

⁸¹ Tsoukalis notes that by May 1971, there were two possibilities for joint action among the EEC countries. 'They could either float their currencies together with respect to the dollar or they could introduce controls to ward off speculative flows. One option which was clearly not open to them was to continue with the status quo and start applying the decisions of March 1971. A change in the external environment had made the narrowing of intra-EEC margins irrelevant since no implicit assumption of stable exchange rates was no longer valid. The possibility of a joint float was opposed by France and Italy and capital controls by the Federal Republic'. Tsoukalis (1977) *Op. cit.* p.117.

President Nixon also announced his intention to alter the parity between US\$ and other currencies and to introduce unilateral protectionist measures⁸².

Amidst the monetary turmoil, immediately following the US decisions of 15 August 1971, the French Government announced its intention to call a Conference at the highest level, that is, to call a Summit of Heads of State and Government to address the monetary situation⁸³. Indeed, the final Werner report had provided for the replacement of the semester meeting of ministers by a Conference of Heads of State or Government, if either the gravity of the circumstances or the importance of the issues justified it. Pompidou considered the situation to be so and from this moment France assumed the leadership for the resuscitation of EEC's monetary individuality. Organising a series of meetings at ministerial and bilateral governmental level throughout the remainder of 1971 and 1972, the French advocated and convened what was going to be -a year and a half later- the Paris Conference of 19-20 October 1972. In fact, if in the period previous to the Werner Report, Germany had held the initiative and the leadership on EMU, from this time onwards, France was going to make of monetary union its flagship while Germany remained observant. Indeed, Pompidou emerged as EEC spokesman in defence of the EEC's monetary individuality and conducted negotiations with the US to reach a settlement at the international level on the collapse of the Bretton Woods system.

A settlement to the international monetary turmoil was reached on 18 December 1971 with the Washington Agreements at the Smithsonian Institute, by which new 'central rates' and a widening of the margins of fluctuation to 2.25% on either side of the dollar parity were established⁸⁴. Also on December 1971 the US protectionist measures of mid August were withdrawn. Thus, although the monetary crisis had had its peaks in May and August 71, by December 1971 normality had returned to the international markets, the DM returned to the snake, and thus the European currencies returned to the margins of before 9 May 1971.

Yet, the settlement of the international monetary scene by the Washington Agreements among the G-10 on 18 December 1971 left three issues unresolved which were of particular significance from an EEC perspective. Firstly, the fact that the new fluctuation margins being agreed were too wide for an adequate functioning of the common market; second, that no measure for the return to the convertibility of US\$ into gold was taken; and third, that no action for the regulation of the internal capital markets was taken

⁸² In order to reduce the deficit in the US balance of payments a 10% tax on imports was introduced. The US measures were received with discontent by the Commission and by the GATT Council who, in 16 September 1971, concluded that US' measures were not compatible with GATT provisions. The Commission questioned the grounds of the US Government decisions by arguing that US balance of trade was sound and that the latter had not contributed to the deficit in the balance of payments. See Commission, *Note à l'attention de MM. les Membres de la Commission, 165ème session du Conseil -20 septembre 1971, Bruxelles 21 Septembre 1971* [SEC(71) 3321].

⁸³ See Commission, *Note à l'attention de MM. les Membres de la Commission, 165ème session du Conseil -20 septembre 1971, Bruxelles 21 Septembre 1971* [SEC(71) 3321], or otherwise *Bulletin des CCEE* 8-1972, *Chapitre II: Vers un Sommet à Dix*, p. 16.

⁸⁴ The Smithsonian agreements, which were the first multilateral negotiation of exchange rates, conveyed an agreement on the realignment of EEC currencies, trade concessions to the US and a devaluation of the dollar i.e. the price of gold was increased slightly in relation to the dollar.

either⁸⁵. Indeed, wide fluctuation margins created distortions to competition within the industrial customs union⁸⁶, damaging particular sectors, messing up CAP repayments and questioning the preference for Community exchanges. Regarding the second point the need had emerged for an intervention from the Central Banks of the members in Community currencies in a case of excessive fluctuations of one currency in relation to another and, on the third point, a co-ordinated action of Central Banks in the case of short capital movements -speculation- was perceived as necessary by some countries.

The French who defended the reform of the international monetary system as a first priority, who had contributed to the reaching of the Washington Agreements of December 1971, and who had perceived in the lack of unity of the Community of May 1971 the warning, once more, of German might as well as the CAP disturbance, were now desperately keen to promote internal action to ensure that the widening of the margins of fluctuation for the dollar were accompanied by intra-EEC arrangements i.e. France was very keen to re-launch the snake. Indeed, for the monetarists the Community was developing its own 'personality', its own monetary needs. As P. Harmel put it, the safeguarding of the common market could not be guaranteed *que par une fuite en avant*⁸⁷. Thus, on 12 January 1972 the Commission submitted a Communication and a project of resolution⁸⁸ where it proposed a single regime of exchanges for the currencies of the states belonging to the common market, and second, a concerted policy addressing the excessive influxes of capital⁸⁹. The own regime of exchanges would consist of: narrower margins of fluctuation (of +/- 2.5%) in order to prevent distortions to intra-Community trade⁹⁰ i.e. a Community band within the new international tunnel; a co-ordinated intervention in the exchange markets by Central Banks in Community currencies as well as in US\$; and the creation of a monetary co-operation Fund⁹¹. As well as this, a concerted policy would aim to safeguard the stability of this system of exchanges and to prevent the perturbations provoked by sudden and external short term capital movements. In short, the Commission was proposing the re-launching of the EMU programme beyond the Washington agreements to attain an adequate functioning of the common market and the defence of exchange rates of the member states of the Community. Concretely the Commission was proposing two types of monetary measures: an own regime of exchange and a concerted policy towards capital influxes.

⁸⁵ See p.2-3 of Commission, *Organisation des relations monétaires et financières au sein de la Communauté*, Bruxelles 12 Janvier 1972 [COM(72) 50].

⁸⁶ The Council estimated that no significant perturbations would occur if the gap between arithmetical average exchange rates between two currencies during a week did not exceed a 2.5% figure. [Commission, *Séance du 8 mai 1971* [COM(71) PV 162 p. 31].

⁸⁷ Words of Pierre Harmel, Belgian foreign affairs minister at the 165th Council meeting of 20 September 1971. Commission, *Note à l'attention de MM. les Membres de la Commission, 165ème session du Conseil -20 septembre 1971, Bruxelles 21 Septembre 1971* [SEC(71) 3321].

⁸⁸ Commission, *Organisation des relations monétaires et financières au sein de la Communauté*, Bruxelles 12 Janvier 1972 [COM(72) 50].

⁸⁹ Commission, *Note à l'attention de Messieurs les Membres de la Commission, Compte-rendu sommaire de la 101ème Session plénière du Comité économique et social, Bruxelles 29 février 1972* [SEC(72) 872].

⁹⁰ The margins previous to 9 May 1971 were of +/- 0.75% i.e. the gap between the highest value and the lowest could not be larger than 1.5%. The Commission however, said that a 2% maximum of a gap was desirable.

⁹¹ See p. 3. of Commission, *Organisation des relations monétaires et financières* [COM(72) 50].

The Council of 31 January-1 February 72 confirmed the urgency of monetary measures and accepted the proposal of the definition of a monetary individuality beyond the Washington Smithsonian agreements. Yet, as advocated by the economist countries, the Council instructed the Commission to insert these monetary proposals into a wider framework i.e. the context of the engagements of the first resolution, the programme of action for the first stage of EMU. Thus, the Council was re-stating the commitment to parallelism between economic and monetary measures and instructed the Commission to elaborate a wider document outlining the achievements as well as the pending homework for the realisation of the engagements made in the first resolution EMU. This review was going to offer the chance for regional policy engagements to be brought into the foreground once more at a time when the examination of the 1969 and 1971 proposals were in deadlock.

Indeed by February 1972, delegations -and particularly the French- were keen to return to European monetary arrangements. The international monetary turmoil had revived the interest in specifically European monetary measures and on 18 February the Commission submitted a report⁹² -prepared by R. Barre- which, following the wishes of the Council of 31 January -1 February 72 set the above mentioned monetary actions within the larger framework of realisation of the first stage of EMU. The previous Commission Communication of 12 January 1972 had underlined that the reinforcement of monetary solidarity ought to be accompanied by progress in other domains⁹³, but the resolute Council demand that the debate on further monetary action should be placed within the context of the realisation of the engagements of the first resolution, brought back to the foreground the positions of monetarists and economists in relation to the Programme towards EMU.

To be adopted in parallel with monetary measures, the economists, and particularly Germany, had proposed two additional measures to the existing arrangements for the higher degree of economic and policy convergence, namely, the creation of a Steering Committee and the adoption of a directive on stability and growth in the Community⁹⁴. As far as the Steering Committee was concerned, Germany proposed the setting up of a consultative group at Secretaries of State level with a permanent presidency which would not be too integrated within the existing infrastructure of committees for economic policy co-ordination, and which would hold confidential deliberations with a small number of members - including one Commission's representative, and would have, as its task, an efficient and continuous co-ordination of short-term economic policies⁹⁵. Concerning the directive to promote stability and growth, it would establish the possibility of adapting policies of public incomes and expenditures in relation to the

⁹² Commission, *Vue d'ensemble sur les conditions de réalisation de la première étape de l'union économique et monétaire*, Bruxelles 16 Février 1972 [SEC(72) 622 final/2].

⁹³ See p. 8, Commission, *Organisation des relations monétaires et financières au sein de la Communauté*, Bruxelles 12 Janvier 1972 [COM(72) 50].

⁹⁴ The Commission added full employment to the stability and growth proposed by Germany. See p.3-4 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 634ème réunion du Comité des Représentants permanents: 2 Mars 1972, -Problèmes économiques et monétaires*, Bruxelles 4 mars 1972 [SEC(72) 959].

⁹⁵ See p. 1-2 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 633ème réunion du Comité des Représentants permanents: 17/2/1972 -Problèmes économiques et monétaire*, Bruxelles 25 février 1972 [SEC(72) 819].

needs of short-term policy, second, the possibility to modulate fiscal policy in order to influence consumption expenditure, third, a medium term programming for public budgets, and four, the definition of a concertation between Government's economic policy and social partners' decisions in revenues policy. In February 1972 at a meeting between Chancellor Brandt and President Pompidou a compromise emerged between economists and monetarists consisting of the introduction of capital controls -on which Germany had always proved reluctant- as well as the narrowing of intra-EEC margins of fluctuation while, Germany, more concerned with the co-ordination of economic policies, obtained the acceptance from France of the creation of a Steering Committee which would be responsible for a more effective co-ordination of short-term economic policies⁹⁶.

On 1 March 1972 the Commission presented a draft of Council resolution⁹⁷ putting forward four categories of proposals: reinforcement of economic policies in the short-term, actions in the structural and regional domain, measures for the organisation of financial and monetary relations within the Community, and some suggestions for procedure. This second resolution would state the political will to implement the scheduled EMU programme agreed in the first resolution, and move forward on the engagements made in the first resolution of 22 March 1971.

Thus, on 6-7 March 1972 the Council met with an agenda to settle the final disagreements of a renewed determination of the Council and national Government representatives to implement the first resolution EMU of 22 March 1971 and the political compromises on the basis of which it had been struck. Through the preparatory Coreper sessions for the Council of 6-7 March 1972 various points of divergence came up. Concerning the economic agenda, the Steering Committee was finally accepted although some objections were raised for the creation of yet another Committee and partly on the grounds of possible conflicts of competence with the already existing Short-term economic policy Committee. This Steering Committee would work in secret and, its objective being to gather mutual and confidential information at technical level, it would have a very restricted membership of the collaborators most close to the national ministries. On the other hand, as concerns the monetary agenda, minor disagreements arose over the width of the European joint float, the creation of the European Monetary Co-operation Fund, fiscal harmonisation and the regulation of capital movements. However, these issues were all settled without major conflicts.

Indeed, the compromise to undertake parallel action in the economic and monetary domains, upon which national support on the EMU Programme depended, was religiously observed and, expectedly, Italy did not miss the chance to push for its national preference. Regional policy was among the contentious issues on the new resolution which Coreper left to be sorted out by the Council due to their political nature. In fact, as had occurred in the process of negotiation of the first resolution EMU,

⁹⁶ Tsoukalis L. (1977), *Op. cit.*, p. 119.

⁹⁷ Commission, *Proposition de résolution du Conseil et des Représentants des Gouvernements des États membres relative à l'application de la Résolution du 22 mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté (présentée par la Commission au Conseil), Bruxelles 1 mars 1972 [COM(72) 250]*.

throughout the preparatory Coreper sessions examining the Commission's draft resolution for the re-launching of EMU the Italian delegation announced that its agreement on the final text of this second resolution would be conditional to a *parallel, simultaneous* and *precise* engagement by the Council to create an *appropriate* and specific form of financial means for regional development purposes⁹⁸. A more precise re-stating of parallel regional commitments was certainly considered pertinent by Italy since the resolution under negotiation conveyed a re-engagement on the programme of action towards EMU adopted merely a year before. According to Italy, the engagements on regional actions had not been honoured and, matters of principle on regional policy having been agreed in the first resolution, it was time for a concrete implementation of the engagements taken on 22 March 1971. Thus, Italy made two sets of demands. First, it demanded that the Commission composed 'appropriate' proposals since, according to Italy, the measures proposed by the Commission were not sufficient. Second, and simultaneously to the adoption of the new resolution on the re-launching of EMU, the Italian delegation demanded that the Council move beyond the agreement on 'appropriate resources' struck in the first resolution and the endorsement of a precise engagement, notably, pronouncing a decision of principle on both the use of the Guidance section for regional purposes and the creation of new resources, and also agreeing to a precise calendar for the Council to adopt the actual regulations for the operation of regional solidarity. The demand by the Italian delegation clearly aimed to prevent the delegations' feet-dragging over the Commission's regional proposals, and change their attitude to one of unambiguous political endorsement of regional objectives parallel to monetary engagements and disciplines.

On the sitting of 7 March 1972 the Council held a long debate during which each delegation put forward its position⁹⁹. Italy stuck to its original position, as did the French, who were the most eager to re-launch an individualised monetary zone in the framework of international system, and notably, the launching of the snake and of capital controls, while also being the delegation who expressed the strongest opposition to Italian wishes. France was ready to recognise the compromise of parallelism of economic and monetary measures as sanctioned in the first resolution EMU of 22 March 1971; yet, for France no other issues could delay the urgency of the adoption of monetary measures. In other words, although measures for more efficient co-ordination of short-term economic policies were accepted by monetarists including France, a regional agenda was, particularly for the French, an issue which went far beyond the

⁹⁸ See Coreper sessions: (Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 633ème réunion du Comité des Représentants permanents: 17/2/1972 -Problèmes économiques et monétaire, Bruxelles 25 février 1972* [SEC(72) 819]), Council session of 28.2.1972, Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 634ème réunion du Comité des Représentants permanents: 29/2/1972. -Examen de la vue d'ensemble sur les conditions de réalisation de la première étape de l'union économique et monétaire, Bruxelles 1 mars 1972* [SEC(72) 819/2], and Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 634ème réunion du Comité des Représentants permanents: 2 Mars 1972, -Problèmes économiques et monétaires, Bruxelles 4 mars 1972* [SEC(72) 959].

⁹⁹ On this crucial Council session see: Commission, *A l'attention de MM. les membres de la Commission, Compte rendu succinct de la 190ème session du Conseil de Ministres consacrée aux 'Questions économiques et monétaires': Bruxelles 6-7 Mars 1971, Bruxelles 10 Mars 1972* [SEC(72) 965], Commission, *séance du 8 mars 1972 p. 14-15: Réalisation par étapes de l'union économique et monétaire -Déroulement de la 190ème session du Conseil avec la participation des ministres de finances (Bruxelles 6 et 7 mars 1972)* [COM(72) PV199], Conseil, *Note, Relevé des décisions prises par le Conseil lors de sa 190ème session tenue les 6/7 mars 1972, Bruxelles 8 mars 1972* [T/117/72].

compromise of parallelism. On the other hand, Italy, backed firmly this time by Belgium, defended, beyond the imperative of a co-ordination of economic policies, the recognition of structural problems¹⁰⁰; in other words, the monetary agenda would not be accepted unless precise simultaneous commitments were made to accompany monetary disciplines with structural measures¹⁰¹.

Let us recall that by March 1972 the regional dossier contained two concrete proposals on financial interventions: one proposed the adaptation of a share of the Guidance section of the EAGGF for projects of industrial conversion in agricultural priority regions and the other proposal concerned the creation of a brand new financial instrument which, taking the form of interest rebates, would part-finance projects of either industrial conversion or infrastructure in agricultural priority regions (initially). In fact, the use of a share of the EAGGF for regional projects did not prove a major problem and the Council was ready to make a simultaneous precise and parallel engagement on the adaptation of EAGGF resources. Indeed, all delegations including the French accepted the principle of the use of the Guidance section for regionally oriented projects in agricultural priority regions, although still disagreements on the technical modalities of the intervention had to be ironed out. Thus the Council stated its agreement of principle on the use of a part of the EAGGF Guidance and accepted that the technical decisions ought to be sorted out straight away so that Guidance resources could operate in the current year.

Clearly, the major bone of contention concerning the regional engagements was not the Guidance use but the creation of new means specifically for regional purposes. Indeed, the proposal for the creation of an interest rebate Fund had been examined by Coreper without success. Not only had opposition to the principle of creating new means been clearly put forward by France and the Netherlands, but also objections were raised by Germany over the financial technique of regional interventions i.e. Germany would not accept financial regional interventions in the form of interest allowances. In view of these varying degrees of acceptance of the principle of the creation of new means, Italy went to the Council of 7 March 1972 declaring itself ready to veto the adoption of the resolution altogether if no clear engagements by the Council particularly concerning the creation of brand new means were made, simultaneously to the adoption of the resolution to re-launch EMU. Thus the Council of 7 March 1972 held a long preliminary debate concerning the principle of the creation of new resources. Yet, after perceiving the opposition of various delegations to put a new Fund in place during the first stage of EMU, Italy came down from its initial position by accepting to leave for a second stage of EMU the entry into operation of new resources. However, although Italy conceded some ground, it maintained, as non negotiable, the adoption, simultaneous to monetary measures, of first, a Council decision of principle on both the use of the EAGGF and the creation of new means specifically for regional purposes; and second, a calendar for the adoption of all the decisions concerning the modalities of

¹⁰⁰ Commission, *Séance du 16 février 1972* [COM(72) PV 196].

¹⁰¹ Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 630ème réunion du Comité des Représentants permanents: 3/2/1972 -Communication de la Commission au Conseil sur l'organisation des relations monétaires et financières au sein de la Communauté, Bruxelles 7 février 1972* [SEC(72) 476].

intervention adoption of the technical aspects of regional financial interventions (i.e. the structure, size of the appropriations and life span) so that the Fund could enter into force in the second stage of EMU.

France still would not accept the new compromise put forward by Italy and the meeting was suspended for a pause. It was during the time out that, the Italian, French and German ministers -Colombo, Giscard d'Estaing and Schiller- held a separate discussion. From this restrained discussion another compromise emerged proposed this time by France, which was eventually accepted by Italy and also by the other delegations¹⁰². Notably, before 1 October 1972 the Council would make the decision of principle on whether to create the regional Fund proposed by the Commission -the interest rebate- or another system of Community resources to devote to regional purposes¹⁰³. The final adopted text read as follows:

In order to make an immediate start on the regional and structural actions required for the timely achievement of economic and monetary union, the Council agrees in principle:

1. To the use of the EAGGF, as from 1972, for regional development actions;
2. To the creation of a Regional Development Fund, or alternatively recourse to any other system of Community resources that can appropriately be used for regional development.

It asks the Commission to submit proposals in accordance with Point III.4 of the Resolution of 22 March 1971. It will take the necessary decisions on the Commission's proposals before 1st October 1972¹⁰⁴.

Let us note that an implicit distinction was being made between an agreement of principle to create a Fund -either a ERDF or any other system of resources- and an actual decision of principle for the creation of such a Fund and, finally, the actual adoption of regulations laying down the conditions and the technical manner in which such a Fund would intervene. But in the end, the first agreement of principle to create additional regional resources to those of the Guidance section was made on 7 March 1972, while setting the deadline of 1st October 1972 to make the second set of decisions of creation (i.e. of either a brand new instrument, an interest rebate or another form); while finally leaving the adoption of the regulations defining the conditions and forms of intervention of the additional financial instruments for a later stage, and their final entry into force in the second stage of EMU. Italy had had to accept to delay the entry into force of decisions on the modalities of intervention of the new means to a second stage of EMU (i.e. the necessary regulations for the technical operation of the new resources), and it did not succeed in establishing simultaneously to the acceptance of monetary measures, the decision of principle to create new resources. But nonetheless, the French had conceded an agreement of principle to put in place additional resources to those of the Guidance section for regional purposes and

¹⁰² See the breakdown of this session in appendix.

¹⁰³ See p.7-8 of Commission, *A l'attention de MM. les membres de la Commission, Compte rendu succinct de la 190ème session du Conseil de Ministres consacrée aux 'Questions économiques et monétaires': Bruxelles 6-7 Mars 1971, Bruxelles 10 Mars 1972* [SEC(72) 965]. See original French text in appendix.

¹⁰⁴ Point II of *Résolution du Conseil et des représentants des gouvernements des États Membres du 21 Mars 1972 relative à l'application de la résolution, du 22 mars 1971, concernant la réalisation par étapes de l'union*

also, regarding the timing, the French had come to accept the making of a decision on principle in the first stage of EMU (i.e. before 1st October 1972), on these additional resources (i.e. not on the actual modalities of intervention, but a decision of principle on the creation of either a ERDF or another type of financial instrument).

In fact, given the pattern of consistent refusal to accept new forms of regional solidarity, the French concessions were not insignificant and, ultimately, they seemed to have been given due to the interest of France in the re-launching of EMU. Thus, with the official adoption of the second resolution EMU on 21 March 1972 by the Council and the representatives of the Governments of the member states, the Programme of EMU was back on track and, in fact, its negotiation had worked as a hothouse for the emergence of further political compromises, as a platform for the interaction and consenting of various national preferences (Tsoukalis, 1977). Indeed, the French had first of all attained the European regime of exchanges within an international monetary order which they had strongly pursued since August 1971. For France the snake in the tunnel was launched and the Council of ministers decided to limit intra-EEC margins to 2.25% by July of that year. On the other hand, Germany was rewarded with a reinforcement of co-ordination of economic policies in the short term, namely, by extending the procedure of prior consultations¹⁰⁵, by creating the Steering Committee and by endorsing the principle of adopting a directive aiming to promote of stability, growth and full employment in the Community. And particularly for the concerns of this thesis, Italy, by threatening to veto monetary measures i.e. the monetary regime which France had been pushing for, managed to lever a commitment to create additional resources to those of the EAGGF for regional purposes and an engagement to make unequivocal decisions of principle by 1 October 1972. Thanks to the unfolding of the EMU Programme, the regional dossier gained the first agreement of principle for the setting up of resources additional to those of the EAGGF Guidance.

From 21 March 1972 until the end of the year the regional dossier would concentrate on ironing out the technical differences among delegations concerning the intervention of the EAGGF Guidance in regional projects (indeed, the second resolution had set the deadline of 1 October 1972 to adopt the final regulation); but also the issue of the creation of new means moved forward. On 31 May 1972 the Commission submitted a Communication to the Council where, apart from proposing further regional instruments as requested by Italy¹⁰⁶, the Commission added a new turn to the agreement on the establishment of additional means of the second resolution EMU. Let us recall that the second resolution had put a disjunctive as to the form of additional means, that is, it had stated that the additional

économique et monétaire dans la Communauté, JO C 38 du 18.4.72. In English: *Bulletin of EEC* 4-1972, p. 42-43. French text in appendix.

¹⁰⁵ The resolution agreed that when a member country intended to take measures or decision diverging from guidelines set by the Council of Ministers, prior consultations would have to take place within the Steering Committee. Tsoukalis (1977), *Op. cit.*, p. 120.

¹⁰⁶ Commission, *Communication en vue des décisions du Conseil concernant la Politique régionale de la Communauté*, Bruxelles 31 Mai 1972 [COM(72) 530 final]. In response to Italian criticisms of the insufficiency of the Commission's proposals, the Commission proposed for the creation of a Regional Development Company and a system of guarantees. See introduction to chapter III.

financial resources could either be brand new means (a regional development fund taking the form of an interest rebate as proposed by the Commission or another type of financial instrument) or, otherwise, 'any other system of Community resources'. This disjunctive seems to have been inserted in the final text due to: first, the German refusal to accept financial interventions particularly in the form of an interest rebate¹⁰⁷, and second, the French strategy to open an escape route to the creation of a brand new Fund¹⁰⁸. Indeed, France understood by 'any other system of Community resources' any existent but unemployed resources, and had demanded the addition to the Council minutes of the following declaration:

The French delegation has estimated that the notion 'appropriate Community resources' referred to in the resolution on economic and monetary union, can be employed in the text under discussion. Indeed, it also covers resources currently unemployed (such as EIB reserves) which could be appropriated for the financing of new activities. It is difficult to determine if such resources ought to be considered as existent or as additional¹⁰⁹.

The adaptation of existing financial instruments and also the setting up of 'additional' resources had been for the French the escape route to prevent the creation of a brand new fund specifically devoted to regional purposes. But, while in March 1972 this disjunctive, introduced by the French, was still an escape route to the creation of a ERDF, on 31 May 1972 the Commission's announcement made this alternative void. In the Commission's words:

The Commission has to note that regarding existing Community resources, as foreseen by the resolution of 21 March 1972, the Community does not have currently unemployed resources. Indeed:

- the Community does not have budgetary reserves;
- existing financial instruments, although able to be directed also on the basis of co-ordinated regional policy objectives, pursue their specific objectives; this is however not the case of the EIB whose mission is more general;
- the EIB only has statutory reserves and provisions envisaged to cover its financial risks, whose sums are currently employed¹¹⁰.

In short, in May 1972 the Commission was removing the only remaining alternative to the creation of specific financial means to be devoted to regional purposes. Thus solely the financial technique of

¹⁰⁷ See Commission, 'European Regional Policy. Summary of a speech by W. Stabenow Head of Division in the Commission of the European Communities during the Information Conference on Agriculture Policy of the European Communities 22 January 1973' [X/86/73].

¹⁰⁸ This alternative to the creation of a ERDF was spelled out in point II.2.

¹⁰⁹ Declaration made at the Council session of 6-7 March 1972 which was going to be added to the minutes of the Council session officially adopting the second resolution EMU. See Annexe to *Conseil, Note, Proposition de résolution du Conseil et des Représentants des Gouvernements des États membres relative à l'application de la résolution du 22 Mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté*, Bruxelles 16 Mars 1972 [R/564/72 (FIN 158)] French text in appendix.

¹¹⁰ See p. 3, 4 of Commission, *Communication en vue des décisions du Conseil concernant la politique régionale de la Communauté* [COM(72) 530 final]. See the original French text in Appendix.

interest allowances, which the Germans had been opposed to, remained to be sorted for the due unequivocal decision of principle to take place.

With such a state of affairs on 19-20 October 1972 the Summit that the French had been so eager to organise since 18 August 1971, in order to gain a full commitment to maintain fixed exchange relationships within the EEC, took place in Paris¹¹¹. The Conference in Paris was the first Summit of the enlarged Community and, first and foremost, it restated the political will to realise EMU irreversibly within the following ten years. In the monetary field, the Paris Summit served as a declaration of intentions which endorsed agreements already reached within the Community and did not reach concrete agreement on the contents of a second stage of EMU¹¹². In the field of economic policies, the Summit called for an effective co-ordination of economic policies and instructed the drawing up of a common anti-inflation programme. Concerning the regional policy agenda, we know that at the end of the preparatory stages -on 12 September 1972- national delegations had not yet agreed on the text of the conclusions to be approved by the Heads of State and Government¹¹³, and that even if the agreement of principle to set up additional resources had been made in the second resolution of March 1972 and the alternatives to that creation had been removed by May 1972, the actual decision of principle had not still been made. According to media coverage and other sources, that decision was struck at the highest level and allegedly due to a resolute UK defence¹¹⁴. That is, Heads of State or Government at the Paris Summit made the final decisions upon which they had agreed already in principle -seven months before- in the second resolution EMU of 21 March 1972 and which were due for 1 October 1972 anyway. They decided the creation of a ERDF before the end of stage one (31 December 1973) which would start functioning from 1974, would be fed by Community own resources¹¹⁵, and would act not only on priority regions but also target industrial mutations and structural underemployment. Indeed, Heads of State or Government

from now on they undertake to co-ordinate their regional policies. Desirous of directing that effort towards finding a Community solution to regional problems, they invite the Community institutions to create a Regional Development Fund. This will be set up before 31 December 1973, and will be financed, from the beginning of the second phase of economic and monetary union, from the Community own resources¹¹⁶.

¹¹¹ For the wholehearted support of France for a system of exchange rate stability see Tsoukalis (1977), *Op. cit.* p. 120-125.

¹¹² Tsoukalis (1977), *Op. cit.*, p. 125.

¹¹³ See *Bulletin des CCEE*, 10-1972, p. 11.

¹¹⁴ See Introduction to this thesis (footnote 7).

¹¹⁵ From the Council decision of 21 April 1970 on the replacement of Financial contributions from Member States by the Communities' own resources [OJ L 94/19 of 28 April 1970], as from 1 January 1975 the Community budget was to be fully financed by own resources -as opposed to a 87.5% in 1974. The resources were to be composed of: agricultural levies, customs duties, a maximum of 1% VAT resources. Acceding countries would not contribute fully to the Community budget till 1 January 1978.

¹¹⁶ Point 5 of the final Communiqué of the Conference of Heads of State or of Government, Paris 19-20 October 1972.

So, from a consideration of the state of the negotiations, both through 1971-1972 and on the eve of the Paris Summit, one can only conclude that the decision of principle for the co-ordination of national regional policies, and particularly, the decision of principle made by the Heads of State and Government for the creation of the ERDF, was simply the finishing 'touch' in a process of forced intergovernmentally agreement at the time of adoption of two successive resolutions on the realisation of EMU by stages previous to the Paris Summit of October 1972.

But not only agreements of principle had been made before the Paris Summit, in fact, there are good grounds to argue that by May 1972 the decision for the creation of a ERDF had become somehow inevitable or unstoppable. Certainly this thesis does not defend any automaticity in EU policy developments, and clearly a critical mass of governmental support was an asset brought by enlargement but, undoubtedly, the path for a decision in favour of an extension of Community objectives into regional aspects was clearly marked by October 1972. Indeed, an agreement of principle for the appropriation of resources for regional development had been struck, alternatives to the creation of a ERDF had been removed, and finally, there was a deadline (1st October 1972) for the decision of creation to be unequivocally made. From all the above, we see that the occasion of the Paris Conference was not fundamentally decisive for the setting up of a ERDF but rather, it appears that the extension of Community actions into a new policy area was substantially justified by and linked to the EMU Programme. Indeed, looking at the adoption of the resolutions EMU one reaches the conclusion that the acceptance of regional solidarity -through the creation of a ERDF- responded directly to EMU considerations, took place before the Paris Summit and was not fundamentally influenced by Community enlargement.

Does all the above mean that enlargement did not influence in any sense the establishment of the ERDF? Particularly, it is our concern to search for the influence of the UK Government regarding the adoption of the resolutions EMU and its contribution to the decisions made at the Paris Summit.

To begin with, no concrete influence from new acceding members seems to have occurred in the passing of the resolutions EMU. Point 17.1 has argued that acceding members did not perceptibly influence the adoption of the first resolution. The same conclusion seems valid as far as the passing of the second resolution is concerned. Indeed, although on January 1972 the UK, Denmark, Ireland and Norway signed Accession Treaties, on 24 February 1972 Coreper examined the procedure to inform and consult these countries on EMU developments and it decided that regarding the Council session of 6-7 of March 72 acceding members would be 'immediately informed on the conclusion of the works of the Council'¹¹⁷. In other words, the ministers of the acceding countries were not present at the Council meeting of 6-7 March 1972 and were only informed and consulted *a posteriori*¹¹⁸. Even though one would expect that

¹¹⁷ See p.7 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 633ème réunion du Comité des Représentants permanents: 17/2/1972 -Problèmes économiques et monétaire, Bruxelles 25 février 1972* [SEC(72) 819].

¹¹⁸ Concretely acceding countries were consulted on 15 March 1972. They all accepted the resolution. See p.2 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 636ème réunion du Comité des*

the weight of diplomacy and the impact that the declarations of intentions and preferences from the countries acceding the EEC6 would have created a positive background in favour of completing the due decisions on the regional dossier, as a matter of fact, the actual bargaining at the Council session of 6-7 March 1972 took place beyond the concrete and direct influence of acceding countries. In fact, at the session of 21 March 1971 when the resolution was officially adopted, a note records the UK government's wish to be involved in the works of this session 'in a less discrete fashion' particularly for public opinion considerations¹¹⁹.

Nonetheless, even if there was no evident direct influence as far as the adoption of the resolutions EMU are concerned, there is no doubt that the acceding members were all in favour of launching a regional agenda in the Community. Indeed, the resolution agreed on 7 March 72 and officially adopted on 21 March 1972 was clearly welcome by the acceding members:

The British delegation has declared that its government attaches the utmost importance to the development of a common regional policy and it is keen to contribute to it in an essential manner, not only due to the close links between monetary and regional policy but also due to the fact that the UK has significant regional problems. In the UK, these problems are essentially in the old industrial regions while in the rest of the Community, regional problems concern mostly agricultural zones. Consequently, the UK estimates that the regional measures adopted by the Community should be conceived in a manner which contributes in equal measures to the solution of the problem of the reduction of employment in the old industrial regions as well as in agriculture¹²⁰.

Likewise, the Irish and Norwegian delegations:

have particularly underlined the interest that they accord to regional policy and have given their support to the efforts for the progressive establishment of concrete means which could be associated with the national efforts in this domain¹²¹.

Turning now to the Paris Summit and to the particular case of the UK, the grievances concerning the CAP and the interest in a regional policy dossier were certainly not new by October 1972¹²², and the Conservative Government in office, as well as various interest groups, had already overtly demonstrated

Représentants permanents: 16 Mars 1972, -Problèmes économiques et monétaires, Bruxelles 17 Mars 1972 [SEC(72) 1125].

¹¹⁹ See p. 8 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 633ème réunion du Comité des Représentants permanents: 17/2/1972 -Problèmes économiques et monétaire, Bruxelles 25 février 1972 [SEC(72) 819].* Original French text in appendix.

¹²⁰ See p. 2-3 of Commission, *Note à l'attention de MM. les Membres de la Commission, Objet: 636ème réunion du Comité des Représentants permanents: 16 Mars 1972, -Problèmes économiques et monétaires. Bruxelles 17 Mars 1972 [SEC(72) 1125].* French text in Appendices.

¹²¹ See p.3, *op. cit.* [SEC(72) 1125]. Original French text in Appendices.

¹²² See: Warley T. K. (1967) *Agriculture: The cost of joining the common market*, London, Chatham House; or Pisani E. 'The agricultural problems involved in British membership of the Common Market' p. 7-42. in *Problems of British entry into the EEC. Report to the Action Committee for the United States of Europe* (1969), European Series No. 11, London, Chatham House.

their policy preferences¹²³. Indeed in the UK, integration into the common market and the terms of this accession, far from being a low profile matter, had by mid 1972 become an openly public and highly politicised debate, dividing the country along left-right lines, provoking schisms within the parties, and threatening to stir up deep regional reproaches¹²⁴. In fact, regional policy arguments became well at the core of national debates questioning the benefits of accession and the terms of entry, particularly in relation to budgetary contributions. Indeed, the Community budget as agreed in 1970 (deliberately negotiated before UK's entry and largely dependent on agricultural levies) meant, for a net agricultural importer as was the case of the UK, a large contribution to Community own resources. But Prime Minister Heath's strategy in response to the sensitive question of budgetary contributions seems to have been one of not allowing the problem of budgetary contributions to block the way to accession but, rather, to seek for changes once accession had been secured¹²⁵. Admittedly, Heath's aim was to gain a compensation to the UK's net contribution to Community own resources by trying to open and enlarge Community expenditures into alternative areas which would benefit the UK, that is, by targeting the domination of the budget by the CAP¹²⁶. In this sense, a ERDF tackling industrial-related regional problems would return contributions to Britain.

A regional agenda was also a priority for the UK in another sense. Although Britain had secured a transition period before applying the principles of co-ordination of regional aid systems agreed on 20 October 1971 by the Six (point 9.1.1, chapter II)¹²⁷, the control of regional aid schemes exercised by the Commission, became the target of fierce criticisms for it was perceived as an illegitimate interference in and an inadmissible renunciation of national sovereignty¹²⁸. Regional policy considerations, in particular, had been captured by opponents to entry into the common market. In this context of domestic hostility to entry, as well as to the terms of accession, the Conservative Government of Edward Heath saw the launching of regional actions as a priority in an attempt to calm down domestic opposition.

Beyond the fact that the launch of the regional dossier was reported as a personal triumph of Heath and a specific merit of the UK in the attempt to prove tangible benefits from Community membership and

¹²³ For instance the CBI notes as a serious drawback of the first resolution EMU 'the lack of explicit statement on the role and implementation of regional policy' and defends the need for Community regional involvement. See Confederation of British Industry Scotland, 'Scotland and EEC Entry. Report of a Study group on the effects on an assisted area of the United Kingdom', 1971.

¹²⁴ For the use of regional aids control by both Labour and Conservative parties to exploit anti-market or nationalist feelings see p.3-4 of Commission, *Rapport de la délégation de la Commission auprès du Royaume Uni, No. 887. Objet: Réactions britanniques après les négociations de Luxembourg, Bruxelles 16 juillet 1971* [SEC(71) 2755]. For the dominant place of regional policy on accession discussions see also 'Rich get richer and poor get poorer, says Labour MP', *The Guardian* 8.7.1971.

¹²⁵ According to Hayward there is no evidence that in negotiating for British EEC entry, the regional policy implications were investigated by neither the Labour nor the Conservative Government, see p. 288 of Hayward J. 'The prospects for British regional policy in the EEC context', *Journal of Common Market Studies*, June 1973

¹²⁶ George S. (1990) *Op. cit.*, p. 56.

¹²⁷ See the particular problems that the principles of transparency and the ceilings of national support provoked in certain types of regional incentives in p. 248-257 D.C. MacLennan & J. B. Parr (eds.) (1979), *Regional Policy. Past Experience and New Directions*, Glasgow Social and Economic Research Studies 6, Oxford, Martin Robertson.

¹²⁸ See p. 2 of Commission, *Rapport 888 de la délégation de la Commission des Communautés Européennes à Londres, Objet: Situation en Grande-Bretagne après les accords de Luxembourg, Bruxelles 20 Juillet 1971* [SA(71) 5643].

thus to legitimise entry in the eyes of the British electorate (George, 1990), a review of the history of the regional dossier as well as its negotiation reveals that its emergence, as well as its basic justification and nature, were other than motivated by enlargement or by British influence. A recollection of the state of the negotiations on the regional dossier on the eve of the Paris Summit shows that agreements of principle concerning the two main strands of Community competence -co-ordination and solidarity- had already been reached before October 1972. These agreements of principle were struck beyond the concrete influence of acceding members and from a logic independent of enlargement. On the one hand, a fundamental regional objective -an approximation of regional structures- was justified primarily in the context of the functioning of the common market in a search for economic and policy convergence, and subsequently, as a structural component of the EMU programme (points 5, 6, chapter I). On the other hand, financial regional solidarity in particular was justified and accepted as a requirement for the timely achievement of EMU (point 13.1, chapter III). In other words, enlargement did not give rise to either a co-ordination of regional policies or the creation of new and specific resources for regional development, even though enlargement supported -mainly with additional political will- a regional policy dossier upon which the decision of principle was pending. Concretely, concerning the creation of the ERDF, the agreement in principle to create this new and specific financial instrument resulted from intergovernmental bargaining in March 1972 and took place away from the influence of acceding members. As no other financial alternative was available and, furthermore, time engagements were made in the second resolution EMU, the final decision scheduled to take place at the Paris Summit, where allegedly British influence was determinant, was arguably the last stage in a process which had been triggered by the I Barre Plan and elbowed through by Italian boycott tactics. Yet, in two ways enlargement appears to have contributed to the final acceptance of a regional competence, namely, by bringing additional political support but, above all and particularly to UK's credit, by succeeding in superseding the domination of the regional policy dossier by strictly agricultural problems. Indeed, after enlargement regional policy opened up its scope of action i.e. moved beyond the sectoral approach that the Commission had strategically shifted to from May 1971.

So, if enlargement was not the determinant factor for the acceptance of an expansion into a new policy area, what was? The ultimate factor which permitted a unanimous acceptance of the expansion of Community competence into a new policy area seems to have been the successful linkage of regional policy to the programme of EMU. First, the broader objective of EMU allowed the regional policy agenda to gain sufficient support from most of the countries (Germany and the small countries) and second, it provided a powerful boycott value against the French unwillingness to accept regional interventions. Precisely the EMU Programme came to offer the framework to justify regional actions as well as the package of policy compromises in which intergovernmental bargaining could operate in favour of Italian preferences.

To start with, let us recall that a first degree of consensus on the need in principle for regional action emerged on 26 October 1970 and in the Werner report. In fact, the Werner report and the III MTEP Programme outlined the necessity to establish a true system of regional solidarity and of financial

péréquation for the final stage of EMU¹²⁹; yet most delegations proved reluctant to launch regional operations in the first stage of EMU. Converging views on the need for regional action seem to have been the result of both the defence of economist positions and from a seemingly accepted smaller vetoing power of the small countries. From an economist perspective, the need to ensure the co-ordination of economic policies was the ultimate justification for Germany to launch regional actions. The priority of the attainment of an adequate co-ordination of performances and of policies was raised constantly by Germany from the early days of the examination of the I Barre Plan and all throughout the early 1970s. Indeed, from the start, Germany had stressed the need to act on a structural level and had been prepared in principle to launch regional actions, and thus, seemed ready to contribute financially towards them - although, as it will be seen later (point 18.2), for Germany financial solidarity could not equate to a large fund. The Netherlands, the other economist supporter, although it shared French views in the early stages of the negotiations, came to adopt a more lenient attitude probably reflecting 'economist' concerns. Indeed, although the Dutch delegation displayed from the very beginning a reluctance to embrace regional objectives, either because small countries seem to hold a lesser power to veto, or otherwise, for the French self-assumed the leadership in the defence of full national sovereignty on regional aspects, the Netherlands shielded behind the French and let France lead the opposition. Yet, for the Dutch who had originally opposed any move towards regional action, as the policy linkage between regional actions and EMU emerged more clearly, economist arguments seem to explain the shift from original opposition into complacency over regional actions. On the other hand, Belgium also altered its interest on a regional dossier: originally reluctant, it became a strong defender by early 1972. Luxembourg seems to have taken a rather non-participatory attitude. All in all, the Benelux countries did not make regional policy either a priority or a contention. They were keen to stress the conditionality of the regional policy on EMU progress yet, generally speaking, followed the negotiations led by Italy and France.

Indeed, only France proved to hold a substantial reserve on regional actions beyond their justification within EMU. Ultimately, the negotiations about the acceptance of a regional dossier boiled down to the process of gaining the acceptance of the French delegation, and only to a much lesser extend, of the Dutch, for the other delegations either accepted, in principle, a regional competence from the very beginning (Germany) or otherwise came to accept it (Belgium, Luxembourg, Netherlands). Yet, particularly after the first resolution EMU of March 1971, side by side with the French opposition to a role for the Community on regional economic policy, the French had made of the maintaining of a system of fixed exchange relationships within the EEC and asserting the Community's monetary independence *vis-à-vis* the rest of the world a wholehearted priority (Tsoukalis, 1977). A number of reasons seem to account for the French interest in EMU and its eagerness to return to the commitments of the first resolution. To begin with, according to Tsoukalis, the fear of German might must have had a strong influence on the French *psique*, as France saw how Germany was not afraid to adopt unilateral

¹²⁹ III MTEP Programme, paragraph 124. Original French text in appendix.

positions (floating of the DM in May 1971) even at the expense of the recently passed resolution and despite the pleas of European partners. Clearly as well, exchange rate instability disrupted CAP payments and the crisis of May 1971 and August 1971 probably served to weaken the Gaullists reproaches against Giscard d'Estaing's pro-EMU stance and revived the French interest in specifically European monetary arrangements. Equally, the expectation of the setting up of a European Monetary Co-operation Fund and the introduction of capital controls at Community level to halt speculative waves may have been additional reasons for the French Government to push resolutely for the re-launching of a EMU¹³⁰. Irrespective of which of the previous reasons weighed more, undoubtedly, the French took the leadership of the re-launch of EMU after the crisis of May and August 1971. The French eagerness in the realisation of EMU was a strength as well as a weakness, and Italy certainly exploited the boycott value of delaying or vetoing the re-launching of EMU in the interest of the regional dossier.

B) The negotiation of the modalities of Community intervention (1973-1975)

Decisions of principle for the co-ordination of regional policies and for the creation of new financial means having been taken by the Paris Summit of October 1972, the period starting from 1973 was one concerning the settling and concrete technical materialisation of the two agreed strands of intervention. Because first, this period is a period of negotiations over the concrete forms of intervention, second, because access to internal documentation was severely hampered by rules of the declassification of information and, third, because this period has, in fact, been covered by other authors, this thesis will only summarise these final stages of the negotiation, relying inevitably on secondary sources.

18. The process leading to the eventual adoption of the 1975 regulations

The adoption of the final regulations to establish the operation of co-ordination of regional policies and of the ERDF was expected to be a speedy process. In fact, the Paris Summit had set a deadline for the adoption of the necessary measures for the end of December 73, so that the ERDF could start functioning at the beginning of the second stage of EMU, which was scheduled to start from January 1974. But member states failed to stick to the agreed timetables, and not till 1975 were the final regulations defining the modalities of operation of the Community system of aids adopted. Keeping the

¹³⁰ One month before the Paris Conference of October 1972, the EEC finance ministers decided to set up a European Monetary Co-operation Fund which, at least in its initial stages, would be limited to technical functions. By April 1973 the decision to set up a European Monetary co-operation Fund was confirmed and the Commission was asked to submit two reports, one on the adjustment of the short-term monetary support mechanism and another on the progressive pooling of reserves. Tsoukalis (1977) *Op. cit.*, p. 125. Yet the initial French enthusiasm for the creation of the Monetary Fund seems to have faded, and by 7 March 1972 only Belgium and Italy supported the principle of its creation. France, Germany and the Netherlands considered a decision of principle on its creation premature. See p. 9 of Commission, *A l'attention de MM. les membres de la Commission, Compte rendu succinct de la 190ème session du Conseil de Ministres consacrée aux 'Questions économiques et monétaires': Bruxelles 6-7 Mars 1971. Bruxelles 10 Mars 1972* [SEC(72) 965].

distinction being made so far between the co-ordination strand and, on the other hand, the establishment of a Community system of aids, the final stages of the negotiations follow.

18.1. The laying down of the modalities of co-ordination

As seen before, the agreement of principle for a task of co-ordination at Community level was made previous to the Paris Summit. Indeed, since the Council session of 22 March 1971, which adopted the first resolution EMU and the III MTEP Programme, only the modalities of that co-ordination and, in fact, disagreements over the institutional footing of the Committee for regional policy remained to be resolved.

Let us recall from the state of affairs regarding the disagreements over the setting up of the Committee for regional policy, that the Commission perceived, from the earliest stages in the negotiations, the resistance from various delegations to the model of a Committee for regional development put forward in the 1969 proposal, notably over making this Committee belong to the Commission (point 12.2, chapter II). Despite the opposition, the Commission maintained its original position until 21 June 1972 when it announced a concession¹³¹. Seeking a compromise solution, the Commission abandoned the aspiration to chair the Committee for regional policy and proposed the creation of the Committee for regional development answerable to both the Council and the Commission. This concession was welcome by most delegations as a decisive positive step to resolve the contention. However, no thorough discussion within Coreper regarding this new turn in the negotiations occurred before 1973. In fact, from the first resolution EMU and following the proposals of 1971, the ironing out of the disagreements concerning the Community intervention in the form of co-ordination became of secondary priority. Indeed, the negotiation on the co-ordination function was shifted to the background, and it remained there in hibernation while all efforts were directed to the striking of an agreement on financial solidarity and on the concertation of national and Community systems. The Commission itself had suggested to leave aside the minor unresolved differences regarding the co-ordination of regional policies in the belief that a deal could be reached on the few remaining disagreements if more controversial problems such as the use of the existing means and the creation of new means were first resolved¹³². In short, the modalities of undertaking the co-ordination of regional policies were deliberately left for a later stage¹³³.

Indeed, not until the end of 1973 was the issue of the institutional place for the Committee on regional policy purposely brought up to be resolved. By July 1973, however, the situation had slightly changed. In July 1973 the Commission withdrew the 1969 proposal and submitted new proposals as the Paris Summit had instructed. Indeed the first Summit of the enlarged Community of October 1972 had

¹³¹ See Annexe p.4 of *Conseil, Note, Objet: Travaux en matière de politique régionale, Bruxelles 23 Juin 1972* [R/1337/72 (ECO 130) (AGRI414) (FIN376)].

¹³² That is the position explicitly defended by Commissioner for DGXVI A. Borschette on 20 October 1971 [*Conseil, Extrait de projet de procès-verbal de la réunion restreinte tenue à l'occasion de la 170ème session du Conseil, 20 Octobre 1971* [R/2217/71 (PV/CONS/R 14) Extr.1]]. In fact, not till 18 September 1972 did the first examination of the 1969 proposal article by article take place. *Conseil, Note, Objet: État des travaux en matière de politique régionale, Bruxelles 18 septembre 1972* [R/1839/72 (ECO 180) (AGRI 559) (FIN 489)].

confirmed the task of co-ordination, in the sense of progressive co-ordination agreed upon back in 26-27 October 1970, thus, making the decision of principle for the co-ordination of regional policies, while an agreement on the institutional location of the Committee remained pending. The new Commission's draft decision setting up a Committee for regional policy of 31 July 1973 differed from the 1969 proposal in the substantial point that the Commission no longer proposed to chair the Committee for regional policy, but maintained the concession made in June 1972 i.e. a committee for regional policy having an analogous institutional position to the Medium-term economic policy Committee.

In the enlarged Community, eight delegations accepted the hybrid institutional responsibility of a Committee for regional policy as proposed in July 1973. The French, however, stuck to their original position and only found acceptable the creation of such a co-ordinating committee in the orbit of the Council. Throughout the examination of the draft decision in September and November 1973, positions remained unchanged, while the French put a reserve on the whole decision subject to an agreement on the institutional place of the Committee¹³⁴. On 10 December 1973 the Press announced that Coreper had made a certain amount of progress on the functions and the statutes of the Committee for regional policy¹³⁵. Whether at this stage or later, finally on 18 March 1975 the Council adopted a decision whereby the Committee for regional policy was set up under the Council's presidency and the Commission's secretariat.

18.2. The eventual laying down of the modalities of Community financial solidarity

The settling of the operation of a function of financial regional solidarity through the establishment of a Community aid system was a long process which borrowed from the experience and deals struck through the negotiations of the proposals of 1969 and May 1971. As it had happened in period previous to the Paris Summit, the progress on the negotiations proved linked to parallel developments in the context of EMU and dependent on intergovernmental drive.

Let us recall that at the Paris Summit of October 1972, Heads of State or Government had made the decision of principle to set up a ERDF before 31 December 1973 which would be funded from the Community own resources and begin working from the beginning of the second stage of EMU i.e. from 1 January 1974. After the Paris Summit, on 4 May 1973 the Commission submitted the report that the Heads of State or Government had called for analysing the regional problems of the enlarged Community. The so-called Thomson report¹³⁶ was an extension of the Cros Report of 19 October 1971 (point 11, chapter II) to cover the Community of Nine¹³⁷ and comprised an analysis of the regional

¹³³ See p.5 of *Conseil, Rapport du comité des représentants permanents au Conseil, Objet: Politique régionale. Bruxelles 20 Septembre 1972* [R/1867/1/72 (ECO 188) (AGRI 567) (FIN 493) rév.1].

¹³⁴ See *Conseil, Rapport du Groupe de travail 'politique régionale' présenté au Comité des représentants permanents, Objet: politique régionale: projet de décision du Conseil portant création d'un comité de politique régionale, Bruxelles 29 novembre 1973* [R/2955/73 (ECO 396) (FIN 751)].

¹³⁵ See *Europe*, 10/11 December 1973 No. 1417 New series.

¹³⁶ Commission, Report on the regional problems in the enlarged Community, Brussels 4 May 1973 [COM(73) 550 final].

¹³⁷ See p. 44 of Cros (1977) *Introduction à l'économie européenne*. Borschette also seem to confirm this point when he says in February 1973 that 'the analytical report demanded by the Summit could be prepared rapidly, since the

imbalances in the Community and the guidelines for a regional policy for the Community. The Report, however, did not include the actual proposals mandated by the Summit. The actual proposals were transmitted to the Council in the form of a Communication containing a number of documents: a proposal for a Council regulation establishing a regional development Fund, a draft decision by the Council on the creation of a Committee for Regional policy and a project of financial regulation of special provisions to be applied to the ERDF on 31 July 1973¹³⁸. These new proposals repealed all the previous proposals except the one concerning the adaptation of the Guidance section of the EAGGF. The Commission proposed to set aside the examination of the Guidance proposal to give priority to the ERDF and so was accepted by the Council¹³⁹. In July 1973 the Commission also proposed a budgetary size for the ERDF of 500 million u.a. for 1974, 750 million for 1975 and 1 billion for 1976, which together with 150 million from the Guidance section added up to 2,400 million u.a. for regional purposes for the period 1974-1976.

Although the Council held a first exchange of views on the Thomson report in May 1973¹⁴⁰, the true process of examination of the regional dossier did not actually start until all the proposals were submitted. A subgroup of Coreper began the examination of the 1973 proposals in September 1973 with the ambition to struck an agreement before the end the year¹⁴¹. Coreper divided the preparation for the Council debates as follows: the proposal for financial regulation was passed to the budgetary committee so that a technical examination could take place before Coreper examined its substance. On the other hand, the examination of the ERDF regulation and of the draft decision on the regional Committee were undertaken separately¹⁴². Even then, till 11 October 1973 the discussions within Coreper were confined to the technical aspects of the intervention of the ERDF and the proposal on the Committee for regional policy. Fearing that the debate could be hijacked by over politicised considerations the Commission had deliberately postponed for some months the submission of the complete set of proposals i.e. of the proposals for the concrete criteria delimiting the list of regions and zones susceptible to benefit from both the ERDF and the Guidance Fund. The actual draft lists and the criteria for drawing up the list of eligible regions for both the ERDF and the EAGGF Guidance were submitted at last on 11 October

Commission and its departments have already several studies and monographs prepared on the regional problems in the former Community of the Six and in the new Member States'. See p.9 of *Europe* of Thursday 1 February 1973 No. 1213 (new series).

¹³⁸ See OJ C 86/7 ff. of 16.10.73.

¹³⁹ See p. 6,7 of *Conseil, Note, Objet: Politique régionale: échange de vue général sur les propositions de la Commission, Bruxelles 20 septembre 1973* [1721/73 (ECO 217) (FIN 563)]. In fact, the Guidance proposal of 28 May 1971, although it had been scheduled for adoption -by the second resolution EMU- by the end of 1972 differences among delegations remained unsolved. Even if from Summer 1973 the new regional policy dossier prepared by the Commission contained the new 1973 proposals and the proposal of 28 May 1971 for the use of a share of Guidance resources for regional purposes, the Commission itself proposed that the Council set aside the Guidance proposal for a later stage, and to reach agreement first on the 1973 proposals. The prioritisation of the 1973 proposals was accepted and the examination of the 1973 proposals took priority over the Guidance proposal.

¹⁴⁰ *Conseil, Extrait du projet de procès-verbal de la 412ème session du Conseil tenue à Bruxelles les 14 et 15 mai 1973, Bruxelles 26 juin 1973* [R/1558/73 (PV/CONS/R 7) Extr.1)].

¹⁴¹ *Conseil, Note, Objet: Politique régionale: échange de vues général sur les propositions de la Commission. Bruxelles 20 septembre 1973* [1721/73 (ECO 217) (FIN 563)].

¹⁴² *Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 26 septembre 1973* [1722/73 (ECO 218) (FIN 564)].

1973¹⁴³. So, in fact, the true negotiations on the modalities of intervention of the ERDF did not fully begin until October 1973.

The main points of disagreement regarding the establishment of a Community regional aid system as they had appeared and evolved since 1970, as well as the positions of the delegations regarding the ERDF regulation have been mapped out (point 14.2, chapter III). But rather than the most technical aspects, three major elements determined the progress towards the adoption of the regulations: the size of the ERDF, the list of eligible regions, and linked to both, the Commission's capacity to select projects benefiting from the ERDF. Indeed, by the end of November 1973 it became obvious that the technical points to be resolved were still very large and Coreper suggested that the Council of 3-4 December 1973 concentrate on trying to strike compromises on the most prominent political aspects, so that work could progress at technical level¹⁴⁴. Technical 'refinements' would be left for a subsequent session of the Council to sort out, while negotiation could concentrate on the three closely linked elements of the size of the ERDF, the delimitation of eligible regions and the Community power of appraisal of regional projects. Negotiations started on the list of eligible regions and the power of appreciation straight away, while the size of the Fund was not thoroughly discussed till December 1973 at the Copenhagen Summit.

Concerning the list of regions and areas, as noted before (point 14.1, chapter III), the Commission had opted to draw up a large list coupled with a power of appreciation, thus involving a relatively large fund. Yet, from the preparatory sessions at Coreper it emerged that the majority of the delegations wanted stricter criteria; indeed, only France accepted the list as drawn up by the Commission. The French wanted to state in the regulation that the regions to be aided by the ERDF should coincide with those classified as priority regions at national level and aided as such at national level. France did not accept that the general criteria for eligibility were the proposed regional GDP per capita and demographic density.

Those defended a shorter list made three types of criticisms¹⁴⁵. The first position, taken by Germany and the Netherlands did not object to the criteria as such but to their actual application, that is, some criteria used were simply too wide. These delegations called for the redrawing of maps which highlighted the regions where GDP was inferior to 5%, 10% and 20% of the Community average and where the percentage of active working population employed in agriculture was clearly superior to the percentage proposed by the Commission¹⁴⁶.

The second type of criticism raised by the UK argued that the criteria proposed by the Commission did not cover the major regional disparities as identified by the Paris Summit satisfactorily. Notably, that

¹⁴³ Commission, *Proposition de règlement du Conseil relatif à la liste des régions et zones prévue au règlement en faveur desquelles le Fonds Européen de développement régional peut intervenir*, 10 Octobre 1973 [COM(73) 1751].

¹⁴⁴ Commission, *Note à l'attention de MM les Membres de la Commission, Objet: 708ème réunion du Comité des Représentants permanents -29/11/1973, Politique régionale, Bruxelles 30 Novembre 1973* [SEC(73) 4431].

¹⁴⁵ See p.1 of *Conseil, Corrigendum au Rapport du groupe de travail 'politique régionale' présenté au Comité des représentants permanents, 30 Novembre 73* [R/2736/73 (ECO 275) (FIN696) Corr.1].

there was a substantial asymmetry between agricultural predominance on the one hand and, on the other, industrial mutation and structural underemployment. The UK called for the identification, in a new map, of those regions where the industrial sector was in regression, as well as those zones where unemployment rates were 20% higher than national and Community average.

The third type of objection considered that, beyond the fact that criteria were too wide, the list did not reflect appropriately the relative importance of regional disequilibria. For the Irish and Italian delegations modulation of aid was considered insufficient to satisfactorily address the intensity of regional imbalances; therefore, either a solution had to be produced from the re-definition of stricter criteria as the German and Dutch delegation proposed, or otherwise, if the proposed list was maintained, an absolute priority had to be given to some regions by introducing a classification on the basis of the relative importance of disequilibrium. This identification of the most disfavoured areas was essential and beyond any capacity to modulate assistance at the time aid was granted. The Italian proposal, without contesting the need of having a larger list, was nonetheless ensuring a priority to those most critical regions and was accepted by most delegations, including the Irish. In other words, the list proposed by the Commission was acceptable if first, a priority within the existing list was determined and if, second, at the time of granting aid, a part of the Fund was reserved for the most critical regions within the Community. However, a relative classification of regions was creating a new problem i.e. defining and agreeing on criteria for delimiting critical regions and thus on the distribution of resources between critical and non-critical regions.

But in fact, most delegations had already expressed their refusal to a flexible system of aids i.e. to the capacity by the Commission to select and modulate aid. As stated before (point 15, chapter III) by November 1973 the Commission had lowered down its proposal and conceded to the establishment of a semi-automatic system, whereby an automatic rate of 15% of support was granted in the majority of submissions while, for large infrastructure projects, a modulation would take place. Indeed, on the eve of the Council meeting of 3-4 December 1973 the debate on how to distribute ERDF resources had established a close link between the list of regions and the modulation of aid. Coreper had narrowed down the options to be considered by the Council to two fundamental policy choices: either a list of regions relatively large in which the rates of aid could eventually be strongly modulated by the Commission in the benefit of the less favoured regions or, otherwise, a much shorter list responding to more strict criteria and without modulation of rates of intervention¹⁴⁷.

By December 1973, although the size of the Fund had not been discussed thoroughly, it became clear that some of those who defended a concentration of ERDF in the most disfavoured areas - Germany mainly- also wanted a smaller fund. In fact, the concentration on the most critical problems hid an

¹⁴⁶ Commission, *Note à l'attention des Messieurs les Membres de la Commission, Objet: 707ème réunion du Comité des représentants permanents -21.11.1971, Politique régionale, Bruxelles 23 novembre 1973* [SEC(73) 4412].

¹⁴⁷ See p. 2 of Commission, *Note à l'attention de MM les Membres de la Commission Objet: 708ème réunion du Comité des Représentants permanents -29/11/1973 Politique régionale, Bruxelles 30 Novembre 1973* [SEC(73) 4431].

attempt to reduce the size of the Fund proposed by the Commission¹⁴⁸. UK, Italy and Ireland had expressed that the proposed amount was too modest while France and Germany considered the figures proposed by the Commission to be too high. The size of the Fund was, particularly for the German delegation, a matter that ought not to be discussed before the Copenhagen Summit of 14 December 1973¹⁴⁹ and thus Coreper had only examined the question as to whether the Fund ought to be financed on an annual or pluriannual basis¹⁵⁰.

Discussions on the size of the ERDF were held at the Copenhagen Summit of 14-15 December 1973. Although in its Communiqué the Summit confirmed the agreement that the ERDF ought to be set up on 1st January 1974, no agreement regarding the size of the ERDF, nor on the list of regions, was reached. In fact, the Summit was dominated by the energy crisis. As a result of the massive increases in oil prices¹⁵¹, the Community entered a spiral of inflation and a period of economic recession which made Governments over-conscious of costs and over-protective of national interests. Calls for and reproaches to the lack of Community solidarity were interchanged among governments less prone to compromise as a result of the economic crisis. Germany boldly stated its unwillingness to be the paymaster for Community policies and particularly for a large ERDF¹⁵², while there were no signs of good will from those who had been most vociferous in their demands for the establishment of a ERDF¹⁵³. No compromise on the size of the Fund could be struck while uncompromising attitudes prevailed.

Time was running out for agreements on the ERDF, which according to the letter of the Paris Communiqué had to take place before the 31 of December 1973, and start functioning in parallel with the beginning of the second stage of EMU. Thus, immediately after the failure of the Copenhagen Summit to reach a compromise on the three crucial intertwined aspects of the regional dossier, on 17-18 December 1973 the Council sat again. In this last session of the year the Council debated the size of the Fund again. There were three main positions: an ERDF of 3,000 million u.a. proposed by UK, Italy and Ireland; 600 million for three years as proposed by Germany to which would add the sums already allocated to hill farming and the share of the Guidance proposal of 28 May 1971 i.e. 150 million u.a. each; and the original 2,500 million proposed by the Commission, eventually backed by all the remaining delegations. Although alternative solutions were put forward¹⁵⁴ delegations were not ready to

¹⁴⁸ See p. 6, *Europe*, Saturday 1 December 1973 No 1411 (new series).

¹⁴⁹ *Europe*, 29 November 1973 No. 1409.

¹⁵⁰ *Europe*, 21 November 1973, No 1403 (new series).

¹⁵¹ Fuelled by the Arab-Israeli war of 1972, the Arab members of the Organisation of Petroleum Exporting Countries (OPEC) unilaterally doubled the price of oil in October 1973 and doubled it again in late December 1973.

¹⁵² *Europe*, Wednesday 19 December 1973 (new series).

¹⁵³ Germany seems to have felt the lack of co-operation of the British Government at the peak of the oil crisis while the oil resources in the North Sea were seen as a source of alternative supply.

¹⁵⁴ The Danish Presidency proposed a compromise solution according to which the Fund would be apportioned 800 million u.a. for a duration of three years, 150 of which out from the Guidance reserves. However, out of this total 400 million would have to be paid out in the first year. The Council would then have engaged to examine whether an increase of the Fund might be appropriate, around mid-1975, in the light of the progress achieved in EMU. A second compromise formula was presented by Luxembourg which took up the main part of the German proposal but for an experimental period of two years, it being understood that during 1975, and following an effort to harmonise

give ground. Those calling for a Fund adequate to the severity of the regional realities of Italy, Ireland and the UK would not accept anything short of a considerable size¹⁵⁵. On the other hand, the German foreign affairs minister had been instructed by the German cabinet not to alter their position¹⁵⁶. The Council finally decided to close the session, stop the clock and meet within the following weeks, to try to reach a solution before 7 January 1974 which, if achieved, would apply retrospectively from 1 January 1974¹⁵⁷.

As the negotiations over the concrete regional proposals became a fiasco and the engagements on regional policy to become operational by 1974 were not met -this time due to disagreements mainly over the size of the ERDF-, at the same Council session on 18 December 1973, the Italian delegation decided -as it had done in previous occasions- to suspend its acceptance to the transition to the second stage of EMU. Concretely, the Italian delegation refused to grant its agreement on a resolution on the content of a second stage EMU, which the Council of finance ministers had agreed upon the day before¹⁵⁸. By refusing to approve the text of this resolution, Italy was once again blocking the progress of the EMU agenda. Indeed, the old boycott tactics, which had been successful in the institutionalisation of structural parallelism and of financial solidarity on previous occasions, were tried out again by the Italians and supported this time by the UK and Ireland¹⁵⁹. Unlike previous times, the boycott was not targeting the French reluctance to accept regional action, but mainly, the German reluctance to pick up a large bill for regional appropriations. Unlike previous occasions as well, the boycott would be unsuccessful, and more importantly, the regional dossier would lose its closest ally and best asset, the EMU Programme.

Throughout the negotiations over the ERDF, Italy had reminded national delegations of the importance of observing the agreed deadlines and insisting that regional policy was indispensable in making progress along the road to EMU. Indeed, from the Paris Summit of October 1972 the creation of a ERDF was linked to the transition to the second stage of EMU. However, progress towards EMU was at least questionable by the end of 1973 since those countries most eager to set up a ERDF -Great Britain, Ireland and Italy- had left the European exchange regime and the remaining countries had entered into a joint float¹⁶⁰. In fact, the Italian strategy to resort to EMU when the regional agenda reached deadlock

the national regional policies, the question of changing the ERDF into a large Fund would be considered. See *Europe*, Wednesday 19 December 1973, p.4, No. 1423 (new series).

¹⁵⁵ *Europe*, Wednesday 19 December 1973, p.4 No 1423 (new series) noted: 'At one time, one had the impression that the UK, as well as Ireland and Italy, would rather have agreed to a total failure than to a Fund which in their view is completely inadequate in relation to the size of the problems at stake'.

¹⁵⁶ *Europe*, Monday/Tuesday, 17/18 December 1973, p. 5, No. 1422 (new series). *Europe*, Wednesday 19 December 1973, p.4 No 1423 (new series) notes German foreign affairs minister arguing that 'the German proposal represented a contribution of 204 million DM -the equivalent of the weekly wage for 900.000 German workers. This was a considerable amount of money, particularly if it was considered that there was no legal authority by which it could be demanded. As for Community solidarity in the energy sector, it was one of the very foundations of the Community, and had no need whatever to be bought, Mr Apel pointed out. Just as in a marriage, neither partner expects payment for the other's faithfulness, which is part and parcel of the marriage contract'.

¹⁵⁷ *Europe*, Wednesday 19 December 1973, p.4, No. 1423 (new series).

¹⁵⁸ See p. 5 of *Europe*, Wednesday 19 December 1973, No. 1423 (new series).

¹⁵⁹ Tsoukalis (1977), *Op. cit.*, p. 153.

¹⁶⁰ In fact, the first currency unable to fulfil both the commitments of the Washington agreements and the European snake had been the pound, which on 23 June 1972, following massive speculative pressure was left to float temporarily. Denmark left from June to October 1972 and Italy followed on 14 February 1973. In March 1973 the

could now effectively be reversed against the regional dossier, i.e. the principle of structural parallelism could be conveniently re-interpreted to make regional actions conditional on monetary obligations¹⁶¹. Thus, especially for the French and Dutch, recognising regional policy as solidly attached to EMU progress, regional action, and particularly the creation of a ERDF, remained conditional on EMU progress; in other words, there would be no question of regional aid if the disciplines concerning monetary matters were not fully respected.

Irrespective of the new deadlock reached by the regional dossier at the end of 1973, as the first stage of EMU (1971-1973) was coming to its end, the Community was occupied with the transition to the second stage. The first resolution EMU of March 1971 had laid down the second stage was due to start from 1st January 1974 and had charged the Commission to submit a report on the progress achieved during first stage as well as proposals to the Council on the programme of action for the second stage¹⁶². Thus, on 30 April 1973 the Commission submitted a Communication containing an outline programme of action for stage two, as well as a review of the progress achieved and of the institutional reform essential to the functioning of the EMU¹⁶³. Debated by Coreper and by the Council from June 1973, the transition to the second stage of EMU soon raised scepticism. Indeed, although the Commission's report favoured a move forward to the second stage, clearly the progress achieved up until 1973 was far from successful.

As far as the co-ordination of economic policies was concerned, through the structures of the Medium-term economic policy Committee the III MTEP Programme had achieved the quantification of a handful of global macroeconomic objectives (point 3.1, chapter I) but, undeniably, the co-ordination carried out through the existing institutional arrangements and through the quantified objectives -ultimately the search for compatibility- had certainly not delivered its prime objective: the stability of prices. In fact, not only had the guidelines in the III MTEP Programme not been followed, but the Community had entered a spiral of inflation. As far as short-term economic policy co-ordination was concerned, the Steering Committee had been set up, but 'few concrete measures were adopted beyond recommendations of a very general nature', and as regards the co-ordination of budgets, the 'budgetary guidelines adopted by the Council reflected more national concern than Community interest considered as a whole'¹⁶⁴.

six remaining countries in the snake decided to engage in a joint float and the interventions to maintain fixed margins against the dollar were discontinued.

¹⁶¹ The parallelism with progress in EMU is noted by Netherlands (p. 3 Council of 15 October 1973). See *Europe* 29 September 1973. Let us note as well that this opposed interpretation of the linkage between regional action and EMU had emerged already in the aftermath of the adoption of the first resolution EMU.

¹⁶² See first resolution EMU of 22 March 1971, point IV. In fact, this point also asked for 'a report on the allocation of powers and responsibilities among the Community institutions and the Member States essential to the proper functioning of EMU'.

¹⁶³ Commission, Communication from the Commission to the Council on the progress achieved in the first stage of economic and monetary union, on the allocation of powers and responsibilities among the Community institutions and the Member States essential to the proper functioning of the economic and monetary union and the measures to be taken in the second stage of economic and monetary union, Brussels, 28 April 1973, Supplement to *Bulletin of the EFCC* 5-1973.

¹⁶⁴ Commission, Communication on the progress achieved ..., p. 6.

On the monetary side, the situation was not much better¹⁶⁵. Notably, concerning the snake, it had not been possible to keep the fluctuations of rates between Community currencies within the margins agreed at the time for its launching in April 1972. Indeed, by April 1973 the currencies of UK, Ireland and Italy floated outside the Community regime while the other were floating jointly. In fact, one month after the end of the first stage five currencies were floating jointly and the remaining four were floating independently.

In this scenario of defections and dismaying progress on both the monetary and economic agendas, the transition to the second stage was opposed by Germany, France and the Netherlands, who considered that progress had been too disappointing to move to the second stage. The other countries, however, were in favour of proceeding. The opposition to the transition to the second stage of EMU was argued on different grounds¹⁶⁶. For France the transition could not be made while various countries -Britain, Italy, Ireland and Denmark- remained out of the snake. As far as the traditionally economist countries were concerned, for Germany there had been an unsatisfactory progress in the co-ordination of economic policies, and for the Netherlands also institutional developments were insufficient. All in all, the conclusion was that the legal and institutional machinery introduced for the realisation of an EMU had produced very mediocre results and had had little influence on national decisions.

An agreement of principle by finance ministers for the transition to 'a' second stage of EMU was reached, however, at the Council session of 17 December 1973. It was at this stage that Italy and the UK decided to veto the adoption of the resolution laying down the transition to 'a' second stage which, in fact, had already lost much of its appeal, much of its boycott power. Still, as had occurred on previous occasions, the situation of deadlock in the regional agenda led to the call for structural parallelism, as endorsed by the Paris Summit. The vetoing of Italy, the UK and Ireland had the effect of blocking the entering of 'a' second stage by 1 January 1974 and, as such, the veto was maintained until early February while the Council sessions of 14-15 January 1974 and 30-31 January 1974 tried to strike a compromise on the size and eligibility for the ERDF. For the vetoing delegations the resolution EMU would only be adopted once the ERDF regulations were adopted.

¹⁶⁵ According to the Commission (see Communication on the progress..., p. 7), at the end of the first stage, consultations, particularly with reference to parity, had hardly acquired either a prior nor a compulsory character as originally planned, and the co-ordination of monetary policies remained insufficient. Tax harmonisation proposals on direct and on indirect taxes (proposals on taxation on dividends and interest from bonds and, on the other hand, a harmonisation of the VAT assessment basis) were delayed and only some progress was made on tax exemptions and on proposals for excise duties. Capital controls, rather than being eliminated, had increased in the face of massive speculative movements and no progress was made in the co-ordination of member states capital market policies either. In order to maintain the stability of their exchange rates virtually all capital transactions within the Community were either prohibited or subject to a strict system of controls while neither a common system of controls was adopted by all EEC countries nor the stability of exchanges was attained. Tsoukalis (1977) *Op. cit.*, p. 136. Furthermore, mutual assistance was ineffective. The European Monetary Co-operation Fund was set up in April 1973 with the narrow objective of administering very-short-term and short-term credit facilities, and when the Commission proposed a transfer to it of reserves as part of the transition to the second stage in November 1973, this initiative was firmly blocked by France, Germany and the Netherlands. Dyson (1994), *Op. cit.*, p. 83.

¹⁶⁶ See *Europe*, Wednesday 10 October 1973, p.4, No. 1375 (new series).

Yet, the critical blow came in 19 February 1974 when the French government decided to leave the FF float. With the withdrawal of the FF from the EMU snake, the EMU Programme entered severe crisis. Not only did only five out of the nine countries remain within the snake, but clearly no programme of monetary integration could be carried out without the French, who had also been its major partisan. From this date onwards, EMU would gradually slip into oblivion until 1977 -even if various initiatives were tried for its resuscitation. The consequences for the regional dossier of the EMU crisis ought to have been felt immediately. Not only did the boycott maintained by Italy, UK and Ireland become meaningless but, more importantly, the regional dossier had somehow lost its 'big brother', supporting its erratic progress through the early 1970s. Indeed, the regional dossier had suddenly lost the powerful boycott power provided by EMU and all engagements on deadlines.

Although the support of a EMU agenda for a Community regional competence vanished in February 1974 with the substantial defections from the EMU programme, neither the Commission nor the member states remaining in the European system of exchange abandoned the EMU objectives. The FF float was interpreted as a temporary crisis which would be overcome when economic conditions became more favourable, and from February 1974 measures to progress on the co-ordination of economic policies continued. On 18 February 1974, when only five member states remained in the Community exchange system, the Council restated its commitment to attaining a stronger convergence of economic policies which, once again, called for the need for structural action¹⁶⁷. Clearly the logic of the I Barre Plan, by which regional actions would contribute to economic and policy convergence, remained valid. DGXVI's Commissioner Thomson 'continued to argue that the judicious use of the ERDF would facilitate economic convergence and in that way help to pave the way to EMU in the long run'¹⁶⁸. In brief, the EMU agenda, which had escorted regional policy until its final stages, entered into crisis, but the logic of regional interventions did not lose its substantial validity.

By early 1974 further external developments threatened the pending technical agreements on a now orphan regional dossier. A widespread economic recession as a result of the oil crisis, the change in government in the UK, and the disputes over the extension of aid rules to the new members, had significant effects on the final stages of the negotiations. By March 1974 not only was the support of EMU withdrawn but also UK support, as general elections in the UK put a labour Government in office which, rather than aiming for a compensation to the net contributions to Community budget through regional policy, had pledged a re-negotiation on the terms of entry altogether.

The extension of aid co-ordination rules to the new members emerged as an additional stumbling block in the process of negotiation of the final regional regulations. In fact, since the very early days in the negotiation on the Commission's regional proposals, some delegations -France and the Netherlands in

¹⁶⁷ Council decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community (74/120/CEE), OJ L 63 of 5.3.74. The Council also adopted the directive on growth, stability and employment which had been accepted in principle in the second resolution of 21 March 1972.

¹⁶⁸ Wallace (1977) *Op. cit.*, p. 154

particular- attempted, in order to delay Community regional expansion, to draw policy links between regional interventions and the harmonisation of regional aid schemes. Although this link was repeatedly brought up by the French throughout 1972, most delegations did not accept the realisation of the transparency of regional aid systems as a condition for progress on the negotiation of the regional regulations. The co-ordination of regional aid schemes was, in any case, achieved before any adoption of regional measures on 20 October 1971 (point 9.1.1, chapter II). Yet, in June 1973 this same link was risen again at the time of the extension of the co-ordination of regional aid systems to the new Members¹⁶⁹. Indeed, from article 154 of the Treaty of Accession, the solution for the co-ordination of aids attained by the Six in October 1971 had to be extended to the Nine by 1 July 1973 at the latest. In a Communication of 27 June 1973 the Commission offered a provisional compromise concerning the extension of the principles of co-ordination to all regions of the enlarged Community¹⁷⁰. The definition of peripheral regions for Ireland and Denmark did not cause difficulties¹⁷¹; yet, pledging to find a definitive solution before the end of 1974, the Commission was granting the UK the permission not to apply the resolution of October 1971. Justifiable, according to the UK, in terms of industrial decline, but in essence because the UK Government made of the co-ordination of regional aids a political matter of the highest importance, this temporary solution allowed the UK to carry on applying its existing system in its 'development areas' and 'special development regions'¹⁷², and to maintain the levels and the coverage of assistance which, in fact, were one of the most generous in the enlarged Community¹⁷³.

The Commission's solution infuriated the other delegations, whose regional subsidises were certainly subject to the disciplines of 20 October 1971. Although Italy, Germany, Denmark, Ireland and the UK declared the wish that new principles of co-ordination were established by common agreement before the end of 1974, France and the Benelux countries denounced the unequal treatment and the biased imposition of different disciplines to different members¹⁷⁴, and argued that transparency and a limitation of aid for regional purposes in central regions to 20% of the investment ought to be equally applied across the Nine. Particularly for France, a resolution laying down concrete engagements should be adopted at the same time that the ERDF was created¹⁷⁵. In fact, France argued that without equal co-

¹⁶⁹ See *Europe*, Friday 22 June 1973, p. 8, No 1309 (new series).

¹⁷⁰ Commission, General regional aid systems (Communication from the Commission to the Council), Brussels 27 June 1973 [COM(73) 1110]. This Communication amends and makes additions to the Communication of 23 June 1971 (point 9.1.1, chapter II).

¹⁷¹ Ireland as a whole was considered as a peripheral region so that there was no limitation of aid for regional purposes and in the case of Denmark the Commission defined central and peripheral regions without difficulty.

¹⁷² The latter covering 55% of Great Britain and accounting for 20% of the total employment.

¹⁷³ Overall Italy and the UK operated by far the largest volume of aid in Europe. According to a French official 'the difference was so large that their system of aids was not comparable to the other member States'. See p. 14 of de Castellbajac Ph. (1972), *Les aides à l'expansion industrielle régionale dans les pays du Marché commun*, La documentation Française, Paris.

¹⁷⁴ These countries demanded that concertation continued so that an appropriate solution was found. *Conseil. Note. Objet: Communication de la Commission au Conseil sur les régimes généraux d'aides à finalité régionale. Rapport du Groupe des questions économiques au Comité des Représentants Permanents, Bruxelles 22 Octobre 1973* [R/2565/73 (ECO 247)].

¹⁷⁵ On 14 November 1973 the Commission was asked to prepare a draft resolution while the French delegation declared that would present one itself, although not all delegations agreed on the necessity and the utility of this resolution. See p.2 of Annexe I to *Conseil, Rapport du Groupe de travail 'politique régionale' présenté au Comité*

ordination for all countries no ERDF would be set up and, thus, made a solution in the field of regional aids a pre-condition for any discussions on regional policy. The UK argued that the works to attain the co-ordination proposed by France would take most of 1974 and, thus, they could not be made to coincide with the adoption of the ERDF which, besides, had not been deliberately linked to the aids dossier by the Paris Summit. The dispute seems to have been solved through a trade-off between UK and France in which the UK accepted the extension of the ERDF to overseas territories¹⁷⁶. The final settling of the co-ordination of aid schemes was produced in 1975¹⁷⁷.

The agreement on the size of the Fund did not occur until the Paris Summit of 9-10 December 1974, and it proved once more to need a resolute intergovernmental drive to be imposed. The Irish and Italian governments -while the UK distanced itself from the previous militancy on the regional cause- threatened not to attend the planned Summit in Paris unless a firm political engagement was made to set up the ERDF. Finally, on 12 December 1974 the heads of government decided on the size of the ERDF - 1,300 billion u.a. over a three year period- and also agreed on the quotas for the members: Belgium 1.5%, Denmark 1.3%, Germany 6.4%, France 15%, Ireland 6% (plus 6 million u.a. from each country's shares except from Italy), Italy 40%, Luxembourg 0.1%, Netherlands 1.7%, and UK 28%. It was agreed at the Summit that the Fund would be set up for a three-year trial period starting from January 1975. To this agreed size of the ERDF would be added 150 million u.a. from the Guidance reserves. Regional policy had lost the drive from EMU in February 1974 but, by December 1974, strong intergovernmental pressure led to a breakthrough.

Once the size and the national shares had been agreed, the remaining details were sorted out in the following two months. A final discrepancy -once all the details had been sorted- concerned the required authorisation of the European Parliament in order to approve the supplementary budget regulation to flow own resources into the ERDF. After conciliation between the Council and the European Parliament, the ERDF regulations were formally adopted on 18 March 1975.

Conclusions

des représentants permanents, Objet: politique régionale: projet de décision du Conseil portant création d'un comité de politique régionale, Bruxelles 29 novembre 1973 [R/2955/73 (ECO 306) (FIN 751)]. The project of Resolution is Annexed too.

¹⁷⁶ The proposal to extend the eligibility to the ERDF to overseas territories was raised by the French delegation in 1973, but it was conspicuously absent throughout all the ERDF negotiations. However, it was only on 24 February 1975 that the Commission submitted a proposal to allow the covering of overseas territories by the ERDF. According to Talbot, as the UK delegation opposed such extension of the Fund's geographical boundaries, the French counter-attacked by raising the issue of inadequate co-ordination of regional aids. A trade-off emerged in which the UK accepted the eligibility of overseas territories and France accepted the provisional co-ordination of 23 June 1973. See p. 255-256 of Talbot R. B. 'The European Community's Regional Fund. A study in the politics of redistribution', *Progress in Planning*, 1977, Vol.8, Part 3, Pergamon Press.

¹⁷⁷ On 26 February 1975 new principles of co-ordination valid for all the Community were defined which also began to apply to peripheral areas. The resolution put forward five new principles forming a coherent set: differentiated ceilings of aid intensity, transparency, regional specificity, sectoral repercussions and a system of supervision. See Commission's Communication of 26 February 1975, informing the Council of the principles of co-ordination valid for all regions of the Community which would apply from 1 January 1975 [COM(75) 77 final] and chapter 1 of Commission, Fifth Report on Competition Policy, Luxembourg.

The regulations of 1975 are the result of a long process of negotiation which by 1973 reached its final materialisation stage. In other words, from 1973 till 1975 -the period in which the existing literature has concentrated- the Community employed itself to the -relatively speaking- 'minor' task of settling and laying down the technical details for both the operation of the co-ordination of national regional policies and the ERDF interventions. But more interestingly, the period 1970 to 1972 sheds light on the substantial justification of regional interventions and the relative importance of enlargement in the acceptance of a regional policy dossier as well as revealing a string of continuity in the logic of a regional objective for the Community.

To begin with, the period 1970-1972 saw the actual agreement of principle of a regional objective for the Community in both the strands of co-ordination and of regional solidarity. The first Council acknowledgement of a Community concern over regional imbalances arose within the context of economic policy co-ordination on 20 January 1970. From 1970 till 1973 a series of intermittent advances of the regional dossier followed. This irregular, rather than gradual, pattern of advancement was in fact paired with successive negotiations over monetary unification i.e. in the process towards EMU which had been launched at The Hague Summit of December 1969. First the principle of parallelism -by which regional action became a structural requirement of the EMU programme from the first stage i.e. as from 1971- was institutionalised in March 1971. Then in March 1972 an agreement of principle followed on the putting in place of either additional or brand new resources for regional purposes. On the eve of the Paris Summit of October 1972, the Heads of State or Government were not only confronted with time engagements on the creation of new means, but were also virtually left without alternative halfway solutions. Decisions were due in October 1972 which had become unavoidable to a large degree. In this state of affairs the quantitative support of new acceding members for the expansion into a new policy competence provided the final decisive straw to impose the political will to undertake regional actions over a reluctant minority.

The period 1970 till 1972 also shows that a strand of regional action, namely, a co-ordination of national regional policies, was acceptable in principle to all delegations as early as 26 October 1970. The Council confirmed this acceptance of principle in its adoption of the III MTEP Programme of 22 March 1971, although the technical details were postponed until agreement could be reached on the financial solidarity side.

As concerns the acceptance of the principle of regional solidarity, DGII and the Italian delegation linked it to progress in the EMU agenda. The principle of parallelism which, by default, conveyed a simultaneity of monetary measures with economic measures had been stretched since the I Barre Plan to include structural parallelism too. Explicitly for the Commission and the Italian delegation, but implicitly for the 'economists' the logic of parallelism led to regional actions in so far as the co-ordination of national economic policies called for an approximation of structural evolutions. By implication the programme of monetary unification provided an additional and compounding motive for regional actions. Even if there was a substantial theoretical implication, by no means did EMU inevitably imply a Community financial intervention on structural geographical imbalances. Rather, the

long negotiation of the regional dossier shows that until 1975 the success of the regional dossier depended for its advancement on the bold operation of power politics and on the use of intergovernmental boycott threats. Deadlock and feet dragging in 1971 and 1972 regarding the regional dossier were only effectively countered by progress in the EMU agenda, as EMU offered the chance to force those delegations less keen on the launching of monetary measures -France mainly- to make concessions on other policy areas.

Aiming at the re-launching of the EMU programme, the Paris Summit finally managed to pin down a regional decision for the creation of a ERDF. But although the decision to create a ERDF was made by the Heads of State or Government, and seemingly the UK had a direct influence on its outcome, the agreement of principle to create new and specific financial instruments for regional solidarity purposes, as well as a concrete time commitment, were both made previous to the Paris Summit, in the context of the EMU programme and outside the influence of acceding members (UK, Ireland and Denmark). It is certainly fair to state that acceding members entered a Community which by the end of 1972 had already defined the terms of a regional objective for the common market and its particular context of justification -economic policy co-ordination within the EMU programme. In other words, the British delegation supported an option that had already been fought over and pushed forward intergovernmentally and 'relatively' successfully by Italy and Belgium. Nonetheless, confirming the broadening of the scope of regional concerns beyond the predominantly agriculture related problems of the Six seems to be to the UK's credit. In sum, the period 1970-1972 seems to show that, rather than enlargement, the critical aspect which brought along the acceptance from all delegations of an expansion into regional objectives was the success of the link drawn between regional policy and EMU.

Nevertheless, even if a decision of principle for the creation of the ERDF was made at the Paris Summit, the period 1973-1975, which dealt with the adoption of the final regional regulations proved to be highly laborious too. Technical decisions regarding its functioning were delayed by disagreement over the most politically controversial issues, namely, the size and geographical application of the ERDF. Besides, these latter decisions were hijacked by other developments, namely, the energy crisis, the abandoning of the EMU objectives and the shift in British support. Eventually, boycott tactics forced an agreement on the size and the geographical application and to that followed a swift agreement on the remaining technical aspects.

All in all, for both the periods before and after the Paris Summit of October 1972, the process of examination and negotiation on the regional dossier displays clear signs of an undeniable governmental command over the unfolding of a regional competence. Indeed, the process of examination and negotiation of the Commission's conceptualisation of a regional competence and its concrete proposals - which had begun by mid 1969 in the context of the examination of the I Barre Plan and was completed in 1975- was a process dominated by governments and their national preferences, a process where both the pace and the outcomes were set by, on the one hand, the will of the most reluctant amongst delegations, and on the other, by the ability to win acceptance from the most hostile countries. Notably, progress in the regional dossier depended on, first, a leading governmental will, second, on support or at

least complacency from other delegations and third, on the ability to overturn stubborn opposition. Before October 1972 EMU provided this landscape of national positions and thus an agreement of principle on the creation of new means was struck by the Six. The final negotiation and agreement in 1974 on the modalities of intervention of the ERDF was also a governmentally dominated process where resort was made, once more, to boycotts in order to gain compromise agreements.

CONCLUSIONS: THE DEVELOPMENT OF A POLICY COMPETENCE

The theme of this thesis has been the development of a regional competence for the Community. Consequently it has searched for the emergence of a regional agenda and has examined the construction and the negotiation which led to the first form of regional competence as agreed by the Council on 18 March 1975. Conclusions have been drawn in each of the chapters identifying: 1. the historical co-ordinates in which a global structural 'philosophy' of a regional responsibility emerged; 2. the contest between policy agendas and strategies in the definition of a regional responsibility until 1972; 3. the major elements of disagreement on the Commission proposals and their negotiation; 4. the influence of both the programme of EMU and the first enlargement in the acceptance of an expansion of competence into regional objectives.

Moving beyond the empirical and historical data, (A) how is this policy expansion into regional objectives of March 1975 accounted for? And (B) what knowledge can we collect about regional concerns for the Community from the review of this historical process?

(A) Although from various policy areas (agricultural reform and state aids control in particular (points 9, 10, chapter II)) a regional agenda had been put forward, a global structural definition of regional aims in the search for economic and policy convergence was the conceptualisation finally endorsed by the Council in the early 1970s. The final acceptance by national delegations of a regional competence for the Community in global structural terms was owed particularly to the linkage between a regional dossier and the EMU Programme. Rather than enlargement into the Nine, EMU in particular contributed decisively to the endorsement of a new competence for the Community institutions in two senses. First, intrinsically, a plan of action towards EMU reinforced the need for economic and policy convergence, upon which the fundamental justification for structural regional actions resided. But, second, and beyond these sound but ultimately conceptual grounds, the negotiation on the programme of action towards a European EMU effectively provided an ideal landscape allowing national views to converge, as well as a decisive bargaining lever to be put to use in favour of the regional dossier.

1. The regional agenda entered the negotiation over the EMU Programme through the policy quarrels between 'economists' and 'monetarists' over policy preferences for the timely realisation of a EMU. Especially for the 'economist' approach to EMU, regional action became justified in the search for economic policy co-ordination, the latter being understood as the paramount necessity for the successful embarking on monetary union. Countries defending an economist approach to EMU tuned with the global structural justification of regional actions in the search for economic and policy convergence as defended in the I Barre Plan. That is, monetary union depended not only on policy compatibility but also on delivering the structural conditions for that necessary convergence to ensue.

By no means, however, was this intrinsic policy logic of the need for regional action as a structural component of EMU alone, sufficient to rally member states into a regional agenda for the Community. In fact, the documentation gathered shows that, clearly, an intrinsic logic *per se* did not lead to the acceptance by all member states of an intervention on regional issues. Yet enlargement did not either.

Indeed, at the time of entry, acceding members came across a logic of Community regional involvement and an ongoing negotiation process which had started back in early 1969 on the basis of the I Barre Plan and which had reached, by the end of 1972, a good number of milestones. In fact, acknowledgement by the Council of some form of regional action had taken place as early as 26 January 1970; agreement of principle on some common denominators of regional action was reached on 26-27 October 1970; the entrenching of the principle of parallelism had occurred in 22 March 1971 (that is, in the first resolution EMU); and, finally, the agreement of principle in a form to be determined on regional financial solidarity was struck on 21 March 1972 (in the second resolution EMU). All in all, seen in its historical perspective, the Conference of Heads of State or of Government of the enlarged Community which took place in Paris of 19-20 October 1972 confirmed the path which had been marked from the early 1970s. The Heads of State or Government of the Nine made no more than the final decisions, the agreement of principles having been already made by the Six. The influence from acceding members in producing those final decisions of principle, particularly concerning regional solidarity, seems, nonetheless, to have been significant in the sense of having provided quantitative support for the regional dossier. As far as specifically the UK's influence is concerned, the contribution seems to have consisted of having broadened regional concerns and superseded the dominance in the regional agenda of agricultural related imbalances. In short, the logic of structural parallelism within the EMU Programme and its imposition developed independently of enlargement, and away from the influence of acceding members.

2. Rather than a substantial logic alone, or the policy preferences of acceding members, it was the scenario of the elaboration of a policy plan for the attainment of EMU which came to provide the ideal bargaining conditions for gaining the acceptance from all delegations on the extension of Community competence to regional objectives. The definition of a plan of action towards EMU provided the landscape against which, on the one hand, national preferences came to converging positions, and on the other, the most reluctant delegations could be forced into accepting an extension into a new policy domain.

Let us recall the terms of the negotiations. A co-ordination of regional policies was acceptable as early as October 1970 and the elements of disagreement concerned technical aspects which were by no means considered insurmountable (point 16, chapter IV). On the other hand, an initial recognition of the opportunity of regional solidarity- had been stated in the Werner Report. Indeed, all delegations had accepted regional interventions in a future stage of EMU, but a majority were either disinclined or opposed to an immediate operation of regional financial instruments in the first stage of EMU. In other words, although a generalised acceptance of a regional objective *per se* in structural terms

emerged in October 1970, the major discrepancies resided in the opportunity of bringing about regional solidarity in the first stage of EMU i.e. as from 1971.

A compromise -by which regional resources would not enter into force till the beginning of the second stage although the required regulations would be adopted during the first stage of EMU- was, however, forced out from the Council by Italy in March 1971. But crucially, even though by early 1971 most delegations rallied behind France's opposition to a regional dossier and watched with complacency the French refusal to financial solidarity and any interference with national regional policies and methods, the fact is that, ultimately, only France was effectively vetoing the conclusion of an agreement of principle on a regional competence. Indeed, the negotiations on both the Commission's proposals and the EMU resolutions reveal that by 1971-1972 the major hostility to the regional dossier came from the French delegation. In other words, not the unenthusiastic position of the majority of delegations, but the fierce opposition offered by the French, was revealed to be the major obstacle to the launching of a regional competence. The prominent French refusal to launch any type of regional action, beyond a minimalist examination in common of national regional policies, was grounded in the fear of Community interference with the national discretion to grant resources, to chose where to grant them, and to decide on the intensity considered politically appropriate by French central authorities.

As far as the other delegations were concerned, since 1969 Germany declared itself to be in favour in principle of regional actions. The Dutch and the Belgians, originally opposed to regional actions, shifted their views from opposition to indifference (and even support in the Belgian case) from 1972. Italy seems to have endorsed any development possibly leading towards regional action i.e. either coming from the sectoral framework of a policy for the reform of agricultural structures or within the context of EMU in the larger structural sense of its contribution to convergence. Nonetheless, as plans for a European EMU were laid down by the Werner Committee which entrenched the principle of parallelism, by the end of 1970 Italy must have perceived the instrumental boycott value that EMU offered for the regional cause. In fact, it would seem that the context of the EMU Programme offered distinctly better chances of success (for the acceptance of a regional dossier) than the chances on offer in the context of agricultural structures. Indeed, France in August 1971 had vested interests on the launching of a European 'snake' and was making EMU its flagship. In other words, the paramount interest of France in monetary measures seems to explain the surrendering of the compromise reached at the time of the adoption of the second resolution EMU of March 1972 -by which France came to accept both the creation of either a ERDF or of another type of resources specifically devoted to regional purposes and an engagement to make the decisions of principle before 1 October 1972. Thus, the feet-dragging policy imposed by the French throughout the negotiations of the Commission's proposals of October 1969 and May 1971 seems to have conceded to the imposition by Italy of a veto on the adoption of monetary measures, only thanks to the powerful boycott value provided by the EMU Programme.

Consideration of the above points would seem to lead to the conclusion of policy expansion in the Community as being the result of intergovernmental bargains, as being driven by governmental actors' preferences and as being fought through in the boldest manners of power politics. But how legitimate is this conclusion?

In general terms, according to a liberal intergovernmentalist account¹, policy and institutional development in the Community can be explained by the combination of both an analysis of States' preferences and their intergovernmental interaction. On the one hand, the formation of national preferences is the result of a rational and liberal analysis of both costs and benefits of further policy co-ordination in a context of increasingly interdependent economies. On the other hand, the chances to realise national preferences depend on the wider intergovernmental scenario where member states interact and bargain i.e. they depend on the three main factors: the relative intensity of national preferences, the existence of alternative coalitions and the opportunity for issue linkages. Yet, particularly concerning the expansion of structural and regional policies, intergovernmental accounts have argued that regional and structural policies 'since they are neither significant enough to provide major benefits to the donors, nor widely enough distributed to represent a policy of common interest- are most plausibly interpreted as side payments extended in exchange for other policies'². In other words, the demand for regional policy co-operation would be motivated and be the result of intergovernmental deals in the fringes of other major conflicts over policy preferences. Transposing this analysis to the particular case of the development of a regional competence, it results that overall the demand for the extension of co-operation into this new area coming from Italy -but also from Germany- was the result of a rational and liberal analysis of the potential costs and benefits of policy co-operation on the regional field, while, on the other hand, the pressures from the demand for regional co-operation depended to be realised on two main factors: the relative intensity of national preferences -i.e. the French hostility and a large degree of complacency from the other delegations-, and on the opportunity of issue linkages or side payments.

To the credit of an intergovernmental account, one has to concede that the documentation collected demonstrates that in 1972 -and outside the UK's direct influence- a regional dossier was intergovernmentally fought and finally *accepted* by the Six as a result of an imposition of the Italian national preferences through a side-payment in the context of the negotiation over the EMU Programme. Also in an analogous manner, in 1974 the last major bone of contention hindering the adoption of the modalities of ERDF interventions -the size and distribution of the ERDF- was overcome by bold intergovernmental boycott tactics. Nonetheless, identifying the Italian preferences and reducing the policy expansion of regional concerns to the saga of the negotiation stage is a partial account of the process leading to the adoption of the 1975 regulations.

¹ Moravcsik A. 'Preferences and Power in the European Community: A Liberal Intergovernmental Approach', in Bulmer S. & A. Scott (eds.) *Economic and Political Integration in Europe. Internal Dynamics and Global Context*, Oxford, Blackwell Ltd., p. 29-85.

² Moravcsik A. *Op. cit.* p. 52.

Undeniably, the process of acceptance by national governments of a regional dossier shows that, on the one hand, without obstinate and sufficient governmental support, development *per se* of the Community into new policy areas is chimerical. However, it is no less true -as regards the case of the regional policy dossier- that intergovernmental negotiation was effectively the later stage in a long process leading to the adoption of the 1975 regional regulations. In a stage prior to the actual negotiations, the Commission's influence proved substantially decisive in various ways, notably, providing the initiative, defining the nature of regional objectives and triggering policy linkages which eventually made possible its acceptance by all delegations.

Whether a regional agenda would have emerged, had the Commission not conceptualised it, is pure speculation; but clearly, there is strong evidence showing that from 1959 the Commission was in search of a regional dossier. All the evidence points to the conclusion that the first initiatives in the search for a regional policy dossier came from the Commission. But, beyond who was first, the power of initiative of the Commission was determinant on the sense that it was the Commission which, at its own discretion, picked up 'a plot' i.e. a distinct, fundamental and specific regional aim for the Community at the time and in the context of the preparation of the III MTEP Programme and who subsequently brought it, at its own discretion, to the table of the Council to be considered by national governments.

Secondly, apart from this independent self-assumed cause, it was also the Commission who defined the terms of a regional objective for the Community by elaboration of various options. The formulation of policy developments entailed the making of choices among a range of alternative conceptualisations. Surely from the early days the definition of a regional objective for the Community was not an unequivocal matter. A major conflict of strategies i.e. between either a sectoral or a global structural objective, led to internal divisions within the Commission while the developments in the field of regional-aid control did not interfere with the major disputes between the conceptualisations put forward by DGVI and DGXVI. Overall the Commission raised a regional agenda and made policy choices in a largely technocratic and discretionary manner.

Thirdly, the Commission's capacity to conceptualise and develop policy links to wider agendas proved not to be an inconsequential power in the case of regional policy, since the acceptance of policy expansions proved dependent precisely upon these deliberately built links. Indeed, although clearly the contents of the regional dossier were fought intergovernmentally, it is no less true that the Italian and German defence of parallelism followed the conceptualisation of a regional objective as constructed by DGII in the I Barre Plan. The contribution of regional imbalances to economic divergence and, therefore, the need for tackling regional imbalances in parallel with policies and instruments for economic and monetary convergence was a policy link originally drawn by DGII and developed in the early 1970s by DGXVI. That is, even if the outcome of the process of intergovernmental negotiation displayed a diaphanous state-centric pattern, it is nonetheless clear that the acceptance of a regional competence was the result of a successful policy linkage which produced a combination of indifference and convergence of views for the majority of the countries while

allowing to force France to agree on regional solidarity. Policy expansion certainly was negotiated in the most pure intergovernmental fashion but the construction and also the triggering of the dossier through the link to EMU -as well as other routes- was fully the initiative, the choice and under the management of the Commission.

It seems fallacious to argue however, that by February 1969 the I Barre Plan could foresee the fuelling of the regional dossier that the unfolding of the EMU Programme was going to bring or even the reactions of national delegations -particularly of the large countries- in relation to the proposals for monetary co-operation. The I Barre Plan was originally not well received by all delegations, and although a positive reaction to the link between EMU and structural actions was probably to be expected from Germany and Italy, the reaction of the French Government to the EMU programme must have appeared by 1969 as a matter depending on the turns of domestic politics and the economic conjuncture. Indeed, events both in the international and domestic scenes were going to increase the interest in monetary integration and, hence, the chances of success of the policy linkage. All in all, rather than machinating an orchestrated plan, it rather seems that the Commission simply adopted the strategy of scattering seeds in various fields in the hope that some would take root. As a matter of fact, it seems that the Commission actually misjudged the potentiality of the EMU context and played its cards in favour of regional actions as a continuation from the reform of agricultural structures.

In any case, once the seeds took root, the influence of the Commission at the negotiation stages was, comparatively speaking, much less decisive than in the period previous to the Paris Summit of October 1972. Particularly after the Paris Summit, the role of the Commission in the process of acceptance of a regional competence turns into one of a negotiator where the Commission constructed packages in the search for consensual acceptance of regional instruments (H. Wallace 1977). Seemingly driven by a political need to deliver, the Commission pursued the production of an agreement among widely diverging positions.

In sum, it appears that it was not in its power to negotiate but, rather, in its capacity of initiative and in the power to define and launch dossiers while controlling the management and the links to wider agendas, where the decisive influence of the Commission in the process leading to the adoption of the regional regulations of 1975 resided. Particularly on the grounds of its privileged proximity to decision making centres it is difficult to accept a more influential role from other supranational bodies like the European Parliament. All in all, the expansion into a new policy area seems to display a pattern of 'division of labour' by which fundamentally the Commission, with political support from the European Parliament, influenced substantially the emergence, the meaning and the timing of the release of policy linkages to wider agendas, while, on the other hand, governmental drive and strategic bargaining settled the discrepancies between the proposals by the Commission and the extent to which national delegations were prepared to go.

(B) So, all things considered, how accurate is the perception of a regional responsibility for the Community as being the result of a side-payment? In the light of the history of the regional dossier as reviewed in the thesis, the understanding of the emergence of a regional competence in purely intergovernmental terms appears as a truly partial interpretation. Accounting for the emergence of a regional competence in the terms of a side-payment seems to miss out a much broader reality characterised by, first, the decisive role of the Commission in other senses than its weak bargaining power; and second, by the presence (apart from the most visible aspects of Community inter-state bargaining) of much deeper and substantial phenomena in the dynamics of economic integration which, in fact, display a clear continuity from the end of the transition period until the present.

Indeed, a concern over regional imbalances in the sense of the effects that regional disparities can have on economic and policy convergence and, therefore, targeting an approximation of economic structures, appears as a *leitmotif* throughout the history of the Community. Unravelling this interesting continuity would deserve a thorough study which can not be undertaken at this stage, yet the signs already seem clear. At the end of the transition period, and for the first time in the history of the Community, the need for attaining economic and policy convergence justified substantially a regional competence in the attempt to prevent the breaking up of the common market and the attainment of the economic union. Since 1987 the need for convergence has evolved into the need for economic and social cohesion whereby such a notion of 'cohesion' is understood as the pursuit of a process of convergence not only nominal and apparent, but also real between nations and regions (Buzzelay and Hannequart, 1994)³.

This thesis has argued that the first evidence of the risks involved for a Community where its members and regions were not growing harmoniously emerged at the end of the transition period in 1968. The merging of the markets of the Six signatory countries of the EEC Treaty aiming (apart from other political considerations) at achieving economic performances comparable to those in the US, had rested on the conviction that within a larger European market -organised under competition rules and where factors of production were unhampered in their mobility- factors of production (capital and labour) would be located according to market rules, division of labour and economies of scale would ensue, productivity per capita would increase, and all of these together would have an immediate and positive effect on GDP levels and on living standards. Community institutions were charged, mainly, to ensure the removal of obstacles to the four freedoms, to establish a legal framework to allow the common market to function, and to co-ordinate the economic policies of its members to the degree necessary for the attainment of the objectives of the Treaty. Inevitably the merging of the markets meant structural transformations (international division of labour, unequal growth of sectors, geographical mobility of factors of production, professional mobility, reconversion of enterprises and of sectors, etc.), yet the EEC Treaty did not provide for action on the structures -

³ That is, Buzzelay A. & A. Hannequart (1994), *Problématique régionale et cohésion dans la Communauté Européenne*, Paris, TEPSA, Economica.

apart from dispersed actions such as a co-ordinated policy for the reform of agricultural structures and a social policy to promote labour adaptation and mobility. But by the end of the transition period, it became no longer sufficient that the economies of the members of the common market grew but, rather, that they grew harmoniously. Notably, a disparate pattern of structural evolutions had started to translate (in a situation of exposure to imports and where traditional national protection devices became ruled out) into the loss of external equilibria in some countries. The I Barre Plan warned that unless the structural evolutions and the pace of economic development were harmonised, structural disparities would fuel economic and policy divergence, thus, may threatening the continuation of the common market.

Although originally Community intervention on regional imbalances was not designed as a requirement for the timely achievement of EMU objectives but, rather, to guarantee the adequate functioning and continuation of the common market, the objective of monetary unification indirectly raised again the substantial problem of attaining as well as maintaining the necessary degree of economic and policy convergence. The problem of economic and policy divergence featured at the heart of the devising of a plan of action for the attainment by stages of EMU. In fact, the paramount importance of ensuring a high degree of economic and policy convergence was questioned in early 1970. The Werner Group relied on achieving a monetary union primarily from an effective co-ordination and progressive harmonisation of economic policies in the short and medium term. That is, not recognising the need to act upon the conditions needed to deliver an effective and continuing convergence, the Werner Group believed the political will of the member states sufficient to bend national priorities to the requirements of an adequate co-ordination of economic and monetary measures. Through the compromise of parallelism, however, different national preferences were combined in a plan of action including monetary and parallel economic measures and also with the commitment to decide on structural measures to accompany the scheduled entry of monetary measures. All in all, the necessary convergence of economies and policies -put into practice in the III MTEP Programme- was to be carried out through an infrastructure of Committees and attained by improvements in consultation procedures in the short-term and by the formula of macro-economic compatibility in the medium term, namely, by the subscribing to compatible macro-economic objectives approximating national priorities in relation to growth, employment, prices and balance of payments.

Although by the early 1974 the attempts at both monetary and economic union proved to have failed, the substantial philosophy of regional interventions did not elapse. Indeed, the governments of the Nine had failed to maintain stable exchange relations among their currencies while the recipe of macroeconomic compatibility and the improvement of consultation procedures in the short-term did not deliver the sought convergence of national price trends. On 18 February 1974 the Council decided to substantially improve and strengthen policy co-ordination procedures in order to attain and maintain a high degree of convergence of the economic policies. A number of changes took place, mainly: the infrastructure of co-ordinating committees set up throughout the 1970s was unified into

one single Economic Policy Committee; consultation machinery on economic and monetary policy was reinforced; and macroeconomic compatibility was completed with the issuing by the Council of statements of national annual economic guidelines. In the structural field, the logic by which the harmonisation of orientations in the medium term needed to be accompanied by an improvement in the structures was maintained, the purpose of medium term economic policy programmes became to facilitate and guide structural changes -sectoral, regional and social- to ensure the convergence of overall economic policies but overall a structural agenda as a requirement to economic convergence was paid a rather weak determination. The ERDF was not set up until 1975 with such a modest budget and lack of Community purpose that its medium and long term contribution to policy convergence was clearly rather questionable.

A qualitative and quantitative breakthrough arrived in 1987 in the context of a programme for the completion of the single market which opened a new phase for Community regional policy and, more broadly, for structural actions. The need for *real* economic convergence i.e. beyond the nominal recipe of macro-economic compatibility, developed into the need to take a decisive action on the structural conditions which would deliver a real convergence. The Single European Act (SEA) inserted in the EEC Treaty the new objective of 'economic and social cohesion' and provided that cohesion was to be attained by (1) an enhanced co-ordination of macro-economic policies of the member states, by (2) the implementation and contribution of common policies and of the internal market and (3) by the use of structural instruments, especially the structural funds (ERDF, ESF and Guidance section of EAGGF) and the EIB⁴.

Beyond the largely inconsequential reforms of 1979 and 1984 which modified the modalities of intervention of the ERDF and its total appropriations, the SEA provided for a thorough reform. The reforms of 1988 increased resources and embodied the logic of an integrated structural policy which, combining the structural dimensions of previously dispersed policy instruments, superseded the role of support of national development actions for the specific targeting of structural disparities at Community level.

In sum, a review on the genesis and history of the regional dossier throws a corollary of regional concerns for the Community as going well beyond the pure short-term and tactical considerations that an explanation in terms of a side-payment seems to convey. Certainly, it is not the case that the intergovernmental manner in which agreements are struck at Community level can be denied; yet a review of the history of the regional dossier casts fundamental doubts on a pure intergovernmental account of policy development in the Community. Far from resting in the opportunities opened by strategic bargaining, regional concerns as to the need for a balanced development in the Community (i.e. for national and regional economies to grow harmoniously) appear as an almost 'constitutional' requirement for the functioning of the common market, that is, as a concern upon which the operation of the common market and the long term perspectives of the process of integration rest. It cannot be

denied that the continuity in the nature and the conceptualisation of a regional concern reveals a broader reality that a side-payment fails to unveil.

⁴ Article 130B of the EEC Treaty as modified by the SEA.

BIBLIOGRAPHY:

1. PRIMARY SOURCE MATERIAL

Before listing the documentation used for this thesis it is important to note that documents below, apart from being referred to by the name of the originating institutions, their title and date, they are defined by a code in square brackets. This coding in square brackets (used for internal purposes) is particularly significant because it reveals the nature of the document.

Thus, various types of documents are used throughout the thesis:

- minutes of Council meetings [R/no./year (PV/CONS no.) Extr. no.]:

By minutes of Council meetings is not meant the actual verbatim of a given meeting since verbatims are not open to public access; rather, minutes of a Council correspond to what is referred as the '*procès-verbal*' of a Council session. Notably, this type of documents records -in indirect speech- the interventions of national delegations and the representative of the Commission as they occurred in a given Council session. In addition and apart from these minutes (or '*procès-verbal*') there are also other types of Council documents laying down the final decisions made at any given Council session. These are normally referred as '*relevé des décisions*' or list of decisions taken by the Council and are coded as: [T/no/year].

- minutes of internal DGs meetings involving Commissioners and heads of DGs [COM(year) PV no.]:

Where 'COM' stands for Commission and PV for '*procès-verbal*' as defined above.

- Commission's accounts of Coreper and Council meetings [SEC(year) no.]:

Documents produced by the College of Commissioners' Secretariat are catalogued as 'SEC' documents where SEC is an abbreviation to denote the office of the General Secretary of the Commission. They can be any type of document addressed to the College, but the ones collected for this thesis are mostly accounts or summaries of Coreper or Council meetings directed to Commission's officials and specifying the positions of the delegations in issues dealt with in a given session of Coreper or Council.

- Working documents and reports produced by Coreper or its subgroups for the preparation of Council deliberations [R/ no./year (AGRI no. or FIN no.)]:

These type of documents are either working papers containing the positions of the delegations and the amendments proposed by them to the proposals by the Commission; recaps of the 'state of the art' in the negotiations; or otherwise documents putting forward proposals from the national delegations.

- Reports of the Legal Service [R/no./year (JUR no.)]:

- Letters among Commission's officials and among Council's officials;
- Minutes of the sessions of the Medium-term economic policy Committee and some of its subgroups such as the Group for structures [no./ II/ year];

The Commission (notably DGII) provided the secretariat for the Medium-term economic policy Committee. If the document originated from another DG then the coding would change the roman number by the number of the DG which produced the document.

- Meetings of *ad hoc* Commission's Committees like the 1959 Group, the Three Committees of Experts of 1964, etc.[no./II/year]:

All these committees were set up by and answerable to DGII and, therefore, they are catalogued as DGII documents.

In order to reveal in the most bold manner the documentation that has been used to build and argue various points throughout the thesis, the listing and sorting of the primary source material below has not followed the chapter and section headings used throughout the thesis, but instead, documents are sorted, first, by chapter number, and second, by the wider topic to which the individual documents have provided evidence for. Always bearing in mind that often individual documents contain information that could fall under various different headings, this listing provides a quick guide of the empirical data gathered under each topic.

1. On the scenario of economic and policy divergence

1.1. The incompatibility of evolutions

Commission, Première synthèse sur les projections en valeur pour 1970, Bruxelles 11 décembre 1967 [17015/1/II/67]

Groupe d'Étude des perspectives économiques à moyen terme, sous-groupe 'Projections', Organisation des travaux pour les projections 1973-1975, (Note du Secrétariat, Bruxelles 10 avril 1968 [5680/II/68])

Commission, Stratégies alternatives d'évolution à moyen terme du niveau des prix et leurs conséquences pour le marché commun, Bruxelles 24 janvier 1969 [21535/II/68]

Mémorandum de la Commission au Conseil au sujet de la politique susceptible d'être poursuivie au sein de la Communauté pour faire face aux problèmes économiques et monétaires actuels, Bruxelles 5 décembre 1968 [SEC(68) 3958 final]

Commission, Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 12 février 1969 [COM(69) 150]

Comité Monétaire, Avis du Comité monétaire sur le mémorandum de la Commission au Conseil du 12 février 1969, Bruxelles 10 mai 1969 [9856/II/69]

Commission, Rapport du Comité de politique conjoncturelle relatif au Mémorandum de la Commission au Conseil en date du 12 février 1969, Bruxelles 5 juin 1969 [SEC(69) 2155]

Commission, Comité de politique économique à moyen terme: Premières indications sur le contenu possible du mémorandum de la Commission sur les problèmes que font apparaître pour la Communauté les perspectives d'évolution à moyen terme (Note des services de la Commission), Bruxelles 2 mai 1969 [9000/II/69]

Commission, Note à l'attention de MM les membres de la Commission, Objet: 515^e réunion du Comité des Représentants Permanents du 5 Juin 1969. -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 6 juin 1969 [SEC(69) 2190]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. -Résumé des observations principales présentées lors de la réunion du Comité des Représentants permanents le 17 juin 1969, Bruxelles 20 juin 1969 [R/1055/69 (AGRI 141) (FIN 134)]

Commission, Note à l'attention de MM les membres de la Commission, Objet: 517^e réunion du comité des représentants permanents du 17 juin 1969. -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 19 Juin 1969 [SEC(69) 2419]

Commission, Comité de Politique économique à moyen terme, Premières indications sur le contenu possible du mémorandum de la Commission sur les problèmes qui font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres, (Note des services de la Commission), Bruxelles 2 mai 1969 [9000/II/69]

Commission, Note à l'attention de MM les membres de la Commission, Objet: 518^e réunion du Comité des représentants permanents, 24 juin 1969 -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 26 Juin 1969 [SEC(69) 2528]

Commission, Rapport du Comité de politique économique à moyen terme sur le Mémorandum de la Commission au Conseil du 12 février 1969 (avant-projet), Bruxelles 10 Juin 1969 [OR II-133/69]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. -Résumé des observations principales présentées lors de la réunion du Comité des Représentants permanents le 3 juillet 1969, Bruxelles 7 juillet 1969 [R/1251/69 (AG 168) (FIN 170)]

Commission, Note à l'attention de MM les membres de la Commission, Objet: 519ème réunion du Comité des représentants permanents 3 juillet -Préparation du Conseil Économique et Financier du 17 juillet 1969, Bruxelles 7 juillet 1969 [SEC(69) 2695]

Conseil, Note, Objet: Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. -Résumé des conclusions principales du Groupe de travail lors de l'examen technique du projet de décision annexe au Mémoire, Bruxelles 10 juillet 1969 [R/1288/69 (AG 174) (FIN 181)]

Commission, Note à l'attention de MM les membres de la Commission, Objet: 520ème réunion du Comité des représentants permanents: 10/7/1969 -Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire, Bruxelles 14 juillet 1969 [SEC(69) 2813]

Conseil, Note, Objet: Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté. -Examen par le Comité des Représentants Permanents, Bruxelles 14 Juillet 1969 [R/1316/69 (AG 181) (FIN 187)]

Conseil, Communication à la Presse: 75ème session du Conseil du 17 juillet 1969, Bruxelles 17 juillet 1969 [1129/69 (AG 186)]

Commission, Mémoire de la Commission au Conseil sur les orientations globales à moyen terme (1971-1975) de la politique économique dans la Communauté, Bruxelles 15 décembre 1969 [COM(69) 1250]

Comité de Politique économique à moyen terme , Avis concernant le mémoire de la Commission au Conseil sur les orientations globales à moyen terme (1971-1975) de la politique économique dans la Communauté, Bruxelles 13 Janvier 1970 [660/II/70]

Commission, Déroulement de la 99ème session du Conseil consacrée aux affaires économiques et financières (Bruxelles 26 janvier 1970), Séance de la Commission du 29 janvier 1970 [COM(70) PV 108]

1.2. The I Medium-term economic policy Programme

1.2.1. The origins of Medium-term economic policy co-ordination

Commission, Extrait du procès-verbal de la 201ème réunion de la Commission le 10 Octobre 1962

Commission CEE, 'Politique économique à moyen terme de la Communauté, Recommandation de la Commission au Conseil, Bruxelles, le 25 juillet 1963 [II/COM(63) 271 final]

Commission, 'La politique économique à moyen terme de la Communauté', Note d'information Porte-parole de la Commission, 31 Juillet 1963

Conseil Note. Objet: Recommandation de la Commission au Conseil sur la politique économique à moyen terme de la Communauté, Bruxelles, 13 Septembre 1963. [R/735 f/63 (AG 291) (ECO 25)]

Secrétariat Général des Conseils des Communautés européennes, 'Note à l'attention du Président du Comité des représentants Permanents', Objet: Recommandation de la Commission au Conseil sur la politique économique à moyen terme de la Communauté, Bruxelles, 16 Septembre 1963.

Conseil, Note. Objet: Recommandation de la Commission au Conseil sur la politique économique à moyen terme de la Communauté, Bruxelles 19 septembre 1963

Extrait du compte rendu sommaire de la réunion (269^{ème}) du Comité des Représentants Permanents, tenue à Bruxelles les 17, 18, 19 et 23 Septembre 1963 [1242/63] Conseil, Aide-mémoire de la réunion du Groupe des questions économiques tenue le 22 novembre 1963 concernant la recommandation de la Commission au Conseil sur la politique économique à moyen terme de la Communauté, Bruxelles le 20 décembre 1963 [R/1204/63 (AG 445) (ECO 46)] [R/762/63 (AG 302) (ECO 27)]

Extrait du compte rendu sommaire de la 294^{ème} réunion du Comité des représentants permanents a Bruxelles les 6,7,8,9, et 10 Avril 1964 530/64

Conseil, Note. Objet: Recommandation de la Commission sur la politique économique à moyen terme de la Communauté, Bruxelles le 27 février 1964 R/209/64 (AG 82) (ECO 14

Secrétariat général des Conseils des Communautés européennes, Note à l'attention du Président du Comité des Représentants Permanents Point III/12: Recommandation de la Commission sur la Politique économique à moyen terme de la Communauté, Bruxelles, le 17 mars 1964

Décision du Conseil du 15 Avril 1964 créant un comité de politique économique à moyen terme (64/247/CEE) JO 1031/64 du 22.4.64

Commission, Note pour la Commission économique et financière du Parlement Européen sur l'organisation et les travaux du Comité de politique économique à moyen terme, Bruxelles, 31 décembre 1965 15.671/II/ 65

1.2.2. The I Medium-term economic policy Programme

Commission, Projet de compte rendu succinct de la première réunion du Comité de Politique Économique à Moyen terme, (11 décembre 1964), Bruxelles 6 Janvier 1965 [292/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 26.1.65. Résumé des Conclusions, Bruxelles 27 Janvier 65 [1502/II/65]

Commission, Projet de compte rendu succinct de la deuxième réunion du Comité de Politique Économique à Moyen terme, (29 Janvier 1965), Bruxelles 16 Février 1965 [2479/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 25-26.2.65. Résumé des Conclusions, Bruxelles 4 Mars 65 [3062/II/65]

Commission, Projet de compte rendu succinct de la troisième réunion du Comité de Politique Économique à Moyen terme, (5 Mars 1965), Bruxelles 23 Mars 1965 [4294/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 1 et 2 Avril 1965. Résumé des Conclusions, Bruxelles 5 avril 65 [4928/II/65]

Commission, Projet de compte rendu succinct de la quatrième réunion du Comité de Politique Économique à Moyen terme, (9 Avril 1965), Bruxelles 27 Avril 1965 [5629/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants en date du 14 mai 1965, Résumé des Conclusions, Bruxelles 17 mai 1965 [6769/II/65]

Commission, Projet de compte rendu succinct de la cinquième réunion du Comité de Politique Économique à Moyen terme, (21 mai 1965), Bruxelles 8 juin 1965 [7649/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants tenue le 18 Juin 1965. Résumé des Conclusions, Bruxelles 21 Juin 65 [8414/II/65]

Commission, Projet de compte rendu succinct de la sixième réunion du Comité de Politique Économique à Moyen terme, (25 juin 1965), Bruxelles 28 juin 1965 [8417/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 13 Juillet 1965. Résumé des Conclusions, Bruxelles 15 juillet 65 [9586/II/65]

Commission, Projet de compte rendu succinct de la septième réunion du Comité de Politique Économique à Moyen terme, (23 juillet 1965), Bruxelles 28 juillet 1965 [10.049/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 10 Septembre 1965. Résumé des Conclusions, Bruxelles 15 septembre 65 [11.402/II/65]

Commission, Projet de compte rendu succinct de la huitième réunion du Comité de Politique Économique à Moyen terme, (17 septembre 1965), Bruxelles 21 septembre 1965 [11.881/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 7 et 8 octobre 1965. Résumé des Conclusions, Bruxelles 12 octobre 65 [12.873/II/65]

Commission, Projet de compte rendu succinct de la neuvième réunion du Comité de Politique Économique à Moyen terme, (15 octobre 1965), Bruxelles 18 septembre 1965 [13.197/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 29 octobre 1965. Résumé des Conclusions, Bruxelles 3 novembre 65 [13697/II/65]

Commission, Projet de compte rendu succinct de la dixième réunion du Comité de Politique Économique à Moyen terme, (5 novembre 1965), Bruxelles 9 novembre 1965 [14.112/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 26 novembre 1965. Résumé des Conclusions, Bruxelles 29 novembre 1965 [14.639/II/65]

Commission, Projet de compte rendu succinct de la onzième réunion du Comité de Politique Économique à Moyen terme, (2 décembre 1965), Bruxelles 9 décembre 1965 [15.342/II/65]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 7 Janvier 1966. Résumé des Conclusions, Bruxelles 10 janvier 1966 [258/II/66]

Commission, Projet de compte rendu succinct de la douzième réunion du Comité de Politique Économique à Moyen terme, (14 janvier 1966, [929/II/66]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 4 février 1966 Résumé des Conclusions, Bruxelles 7 février 1966 [992/II/66]

Commission, Projet de compte rendu succinct de la treizième réunion du Comité de Politique Économique à Moyen terme, (15 février 1966), Bruxelles, 17 février 1966 [2577/II/66]

Commission, Projet de compte rendu succinct de la quatorzième réunion du Comité de Politique Économique à Moyen terme, (24-25 mars 1966), Bruxelles, 31 mars 1966 [4132/II/66]

Problèmes de l'emploi Document de travail à l'attention du Comité de Politique économique à moyen terme [821/II/65]

Comité de Politique économique à moyen terme, Problèmes de l'emploi (première synthèse des travaux des suppléants) 26 mars 1965 [4.397/II/65]

Comité de Politique Budgétaire document de travail: Les investissements des administrations, Bruxelles, 28/8/1965 [10.728/II/65]

Comité de Politique budgétaire: Évolution des recettes et des dépenses publiques de 1960 a 1970. Document de travail [Confidentiel 10.005/II/65]

Projet de Mandat pour un Groupe de Travail sur les problèmes de la Politique des Structures sous ses aspects sectorielles [886/II/65/F]

Mandat pour un groupe de travail sur les problèmes de la politique des Structures sous ses aspects sectorielles, 18.2. 1965 [2482/II/65]

Groupe de travail 'Aspects sectoriels de la Politique des Structures'. Commentaires relatifs au mandat. Note élaborée par le Président des suppléants [4.340/II/65]

Commission, Comité de Politique économique à moyen terme, Groupe 'Politique des structures sectorielles; Dépenses des administrations publiques au titre des interventions économiques, Annexe statistique au projet de synthèse des informations fournies par les États membres sur les politiques de structures sectorielles, Extrait de l'étude par le Groupe de travail pour la comparaison des budgets sous le titre 'Les recettes et les dépenses publiques dans les pays membres de la CEE', Bruxelles [9446/II/65]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Synthèse des informations fournies par les États membres sur leurs politiques des structures sectorielles, 5 Novembre 1965 [9446/2/II/65]

Commission, Données statistiques relatives à l'application des régimes généraux d'aides [9.293/IV/65]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Résumé des conclusions. Séance du 1 octobre 1965 [12 874/II/65]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Projet de synthèse définitive des informations fournies par les États membres sur leurs politiques des structures sectorielles, 14 Juillet 1965 [9946/1/II/65]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Conclusions relatives à la politique des structures sectorielles dans la Communauté (projet du secrétariat), 16 Septembre 1965 [11.399/II/65]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles' Réunion du 19 Novembre 1965. Résumé des conclusions, Bruxelles 23 Novembre 1965 [14.637/II/65]

1.3. The II Medium-term economic policy Programme

Commission, Comité de Politique économique à moyen terme. Préparation du second programme de politique économique à moyen terme, Bruxelles le 13 mai 1966 [6398/II/66]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 24 mai 1966. Résumé des Conclusions, Bruxelles le 25 mai 1966 [6400/II/66]

Commission, Projet de compte rendu succinct de la quinzième réunion du Comité de Politique Économique à Moyen terme, (7 Juin 1966), Bruxelles 13 Juin 1966 [8080/1/II/66]

Commission, Comité de Politique économique à moyen terme, Résumé des grandes orientations du projet de premier programme de Politique économique à moyen terme (1966-1970), Bruxelles le 15 juin 1966 [8081/II/65] and [[8081/1/II/66] of 29 Juillet 1966

Commission, Comité de Politique économique à moyen terme, Questionnaire complémentaire en matière de finances publiques, Bruxelles 20 Juin 1966 [8496/1/II/66]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 1er juillet 1966 et réunion commune des suppléants et du groupe de travail 'Aspects sectorielles de la politique des structures du 15 Juillet 1966. Résumé des Conclusions, Bruxelles le 20 juillet 1966 [8500/II/66]

Commission, Projet de compte rendu succinct de la 16ème réunion du Comité de Politique Économique à Moyen terme, (29 juillet 1966) Bruxelles 1 août 1966 [10318/II/66]

Commission, Comité de Politique économique à moyen terme, Note établie par le Secrétariat en vue de préparer la réunion Commune des Suppléants avec les experts nationaux pour les prévisions budgétaires à moyen terme (réunion du 16 Septembre 1966), Bruxelles 5 Août 1966 [10554/II/66]

Commission, Comité de Politique économique à moyen terme, Problèmes posés par l'adaptation structurelle des entreprises dans le Marché commun, Bruxelles 19 septembre 1966 [10322/II/66]

Commission, Comité de Politique économique à moyen terme, Thèmes de travaux envisagés pour le groupe d'Étude des perspectives économiques à moyen terme, Bruxelles 23 Septembre 1966 [11018/1/II/66]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 16 et 30 septembre 1966. Résumé des Conclusions, Bruxelles le 4 octobre 1966 [11361/II/66]

Commission, Comité de Politique Économique à Moyen terme, État des travaux de réponse aux questionnaires en matière de finances publiques, Bruxelles 7 octobre 1966 [12768/II/66]

Commission, Projet de compte rendu succinct de la 17ème réunion du Comité de Politique Économique à Moyen terme, (14 octobre 1966) Bruxelles 21 octobre 1966 [13121/II/66]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 18 et 2 décembre 1966. Résumé des Conclusions, Bruxelles le 6 décembre 1966 [15582/II/66]

Commission, Projet de compte rendu succinct de la 18ème réunion du Comité de Politique Économique à Moyen terme, (20 janvier 1967) Bruxelles 30 janvier 1967 [1521/II/67]

Commission, Budget économique pour 1967, Synthèse et commentaires, présenté par les services de la Commission, Janvier 1967 (Confidentiel [13933/1/II/66])

Commission, Comité de Politique Économique à Moyen terme, Déclaration faite par M. Langer, ancien président du Comité, à l'occasion de son départ (18ème réunion du Comité du 20 janvier 1967, Bruxelles 15 février 1967 [2593/II/67]

Commission, Comité de Politique économique à moyen terme, Politique du marché des capitaux, Délimitation des questions susceptibles d'être traitées par le Comité (document élaboré par les services de la Commission), Bruxelles 2 février 1967 [1523/II/67]

Commission, Comité de Politique économique à moyen terme, Adaptation structurelle des entreprises (Document élaboré par les services de la Commission), Bruxelles 7 février 1967 [1524/II/67]

Commission, Comité de Politique économique à moyen terme, Les incidences sociales des opérations de concentration document élaboré par les services de la Commission), Bruxelles 13 février 1967 [1582/II/67]

Commission, Comité de Politique économique à moyen terme, Schéma d'un projet de chapitre sur la politique d'adaptation structurelle des entreprises industrielles document élaboré par le secrétariat, Bruxelles 10 février 1967 [1530/II/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 10 et 24 février 1967. Résumé des Conclusions, Bruxelles le 27 février 1967 [2597/II/67]

Commission, Comité de Politique Économique à Moyen terme, Projet de table de matières provisoires de l'avant-projet de second programme, Bruxelles 6 mars 1967 [3639/I/II/67]

Commission, Comité de Politique Économique à Moyen terme, Aperçu des mesures de politique économique adoptées ou envisagées par les États membres entre octobre 1966 et février 1967, Bruxelles 13 Mars 1967 [2595/II/67]

Commission, Projet de compte rendu succinct de la 19ème réunion du Comité de Politique Économique à Moyen terme, (17 mars 1967) Bruxelles 22 mars 1967 [3798/II/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 14 avril 1967. Résumé des Conclusions, Bruxelles le 18 avril 1967 [5554/II/67]

Commission, Projet de compte rendu succinct de la 20ème réunion du Comité de Politique Économique à Moyen terme, (28 avril 1967) Bruxelles 11 mai 1967 [7253/II/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 26 mai 1967. Résumé des Conclusions, Bruxelles le 31 mai 1967 [6200/II/67]

Commission, Projet de compte rendu succinct de la 21ème réunion du Comité de Politique Économique à Moyen terme, (9 juin 1967) Bruxelles 14 juin 1967 [8704/II/67]

Commission, Comité de Politique économique à moyen terme, Projet d'avis éventuel sur le renforcement des moyens du secrétariat, Bruxelles 21 Juin 1967

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants du 23 juin 1967. Résumé des Conclusions, Bruxelles le 28 juin 1967 [8711/II/67]

Commission, Comité de Politique économique à moyen terme, Projet de chapitre I: Aperçu général, 24 Juillet 1967 [3799/II/1/67]

Commission, Comité de Politique économique à moyen terme, Projet de chapitre II: politique d'adaptation structurelle des entreprises, Bruxelles 26 Juillet 1967 [5548/II/1/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 7-8 septembre 1967. Résumé des Conclusions, Bruxelles le 13 septembre 1967 [10030/II/67]

Commission, Projet de compte rendu succinct des 22ème et 23ème réunions du Comité de Politique Économique à Moyen terme (21-22 septembre 1967), Bruxelles 29 septembre 1967 [13490/II/67]

Commission, Groupe d'Étude des Perspectives Économiques à moyen terme, Avis sur la périodicité des projections économiques, Bruxelles, [392/2/II/67]

Commission, Groupe d'Étude des Perspectives Économiques à moyen terme, Avis sur les projections économiques alternatives [393/1/II/67]

Commission, Comité de Politique économique à moyen terme, Abolition d'entraves de caractère fiscal aux processus d'adaptation structurelle dans l'économie de la RFA (Contribution de la délégation allemande a l'avant-projet du chapitre II) 20 and 26 septembre 1967

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 12-13 octobre 1967. Résumé des Conclusions, Bruxelles le 13 octobre 1967 [13495/II/67]

Commission, Projet de compte rendu succinct de la 24ème réunion du Comité de Politique Économique à Moyen terme (6-7 novembre 1967), Bruxelles 9 novembre 1967 [13498/II/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 30 novembre et 1 décembre 1967. Résumé des Conclusions, Bruxelles 8 décembre 1967 [16719/II/67]

Commission, Projet de compte rendu succinct de la 25ème réunion du Comité de Politique Économique à Moyen terme (14-15 décembre 1967), Bruxelles 11 janvier 1968 [16722/II/67]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 18 et 19 janvier 1968. Résumé des Conclusions, Bruxelles 23 janvier 1968 [794/II/68]

Commission, Projet de compte rendu succinct de la 26ème réunion du Comité de Politique Économique à Moyen terme (29-30 janvier 1968), Bruxelles 9 février 1968 [2361/II/68]

Commission, Groupe des problèmes de l'économie générale, Note à l'attention de MM Hellwig, Mansholt, Levi-Sandri, Coppe, von der Groeben, Colonna di Paliano et Haferkamp, Bruxelles 7 février 1968 [SEC(68) 440 (ECO 6)]

Commission, Comité de Politique économique à moyen terme, Projection des recettes et des dépenses de l'État jusqu'en 1970, Bruxelles 23 février 1968 [2920/II/68]

Commission, Comité de Politique économique à moyen terme. Réunion des suppléants des 21 et 23 février 1968. Résumé des Conclusions, Bruxelles 24 février 1968 [2897/II/68]

Commission, Avant-projet du second programme de Politique économique à moyen terme (Communication de M. Barre), Bruxelles 7 mars 1968 [COM(68) 148/2]

Comité de politique économique à moyen terme, Avant-projet de second programme de politique économique à moyen terme, Bruxelles 15 mars 1968, [COM(68)148/3]

Commission, Projet de compte rendu succinct de la 27ème réunion du Comité de Politique Économique à Moyen terme (29 février 1968), Bruxelles 20 mars 1968 [2900/II/68]

Commission, Projet de second programme de politique économique à moyen terme, Bruxelles 20 Mars 1968 [COM(68) 148 final]

Commission, Note à l'attention de MM. les membres de la Commission, Objet: 463ème réunion du Comité des représentants permanents du 2 avril 1968. Projet de second programme de politique économique à moyen terme, Bruxelles 3 avril 1968 [SEC(68)1220]

Comité économique et social, avis sur le projet de second programme de politique économique à moyen terme, Bruxelles 20 mars 1968, JO C74/3 du 14.6.1969

Commission, Note pour MM. les membres de la Commission, Objet: Corrigendum au projet de second programme de politique économique à moyen terme, Bruxelles 6 décembre 1968 [SEC(68) 3885/2]

Commission, Note à l'attention de MM. les membres de la Commission, Objet: 509ème réunion du Comité des représentants permanents du 24 avril 1969. Second programme de politique économique à moyen terme, Bruxelles 28 avril 1969 [SEC(69)1620]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'aspects sectorielles de la politique des structures', Schéma pour l'analyse des dépenses publiques au titre de la politique sectorielle (note du secrétariat), Bruxelles 14 octobre 1966 [11363/II/66]

Commission, Comité de politique économique à moyen terme, Réunion des suppléants du 1er Juillet 1966 et réunion commune des suppléants et du groupe de travail 'Aspects sectoriels de la politique des structures' du 15 juillet 1966, Résumé des conclusions, Bruxelles 20 Juillet 1966 [8500/II/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'aspects sectorielles de la politique des structures', Préparation du deuxième programme. Note du secrétariat en vue de la réunion commune du 15 juillet 1966 avec les suppléants du Comité, Bruxelles 28 Juin 1966 [8.498/II/66]

Note à l'attention de Monsieur Robert Marjolin par M. Guido Colonna di Paliano, Objet: Programme de travail pour les années 1966-1967 du comité de politique économique à moyen terme. Politique sectorielle, Bruxelles 25 juillet 1966

Commission, Comité de Politique économique à moyen terme, Projet du lettre du président du Comité au président du Groupe de travail 'Politique des structures sectorielles', Bruxelles le 5 août 1966 [10.319/II/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Séance du 26 septembre 1966, Résumé des conclusions. Bruxelles 3 octobre 1966, [11.362/II/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'aspects sectorielles de la politique des structures', Réunion du 7 Novembre 1966. Résumé des conclusions, Bruxelles 11 novembre 1966, [13.955/II/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', La politique des structures sectorielles actuellement appliquée par les pays membres (Synthèse des informations fournies par les États membres sur leurs politiques des structures sectorielles), 1 février 1967 [15.585/II/3/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Projet révisé de rapport du Groupe de travail 'aspects sectorielles de la

politique des structures au Comité de politique économique à moyen terme, Bruxelles 23 février 1967 [1584/1/II/66]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Résumé des conclusions de la réunion tenue les 14 avril 1967 par les suppléants avec le groupe de travail de politique des structures sectorielles, Bruxelles 17 avril 1967 [5552/II/67]

Commission, Comité de politique économique à moyen terme, Rapport du groupe de travail 'Aspects sectorielles de la politique des structures' au Comité de politique économique à moyen terme, Bruxelles 20 Mars 1967[5584/2/II/66-F]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', Résumé des conclusions. Réunion du 12 mai 1967, Bruxelles 19 mai 1967 [6.197/II/67]

Commission, Comité de politique économique à moyen terme, Groupe de travail 'Politique des structures sectorielles', La politique des structures sectorielles dans le contexte des dépenses publiques, Bruxelles 1 Mars 1967 [3792/II/67]

Commission, Problèmes de la Politique industrielle, communication de M. Colonna di Paliano, Bruxelles 27 février 1967 [SEC(67) 672]

Commission, Note pour MM les chefs de cabinets, Objet: amendements à la note 'Problèmes de la politique industrielle', Bruxelles 28 Mars 1967 (Confidentiel [SEC(67) 672 Add.])

Commission, Note pour MM les chefs de cabinets, Objet: amendements à la note 'Problèmes de la politique industrielle', Bruxelles 6 Avril 1967 (Confidentiel [SEC(67) 672 Add.2])

Commission, Problèmes de la politique industrielle, communication de M. Colonna di Paliano, Bruxelles 6 avril 1967 [SEC(67) 672 final]

Commission, Note à l'attention de MM les membres de la Commission Objet: Problèmes de la politique industrielle, Bruxelles 12 Avril 1967, [SEC(67) 1201]

Commission, La politique industrielle de la Communauté. Mémoire de la Commission au Conseil., Bruxelles 18 Mars 1970 [COM(70) 100 final]

Conseil, Note, Objet: Politique industrielle de la Communauté. Rapport du Groupe 'Politique industrielle' au Comité des Représentants Permanents, Bruxelles 30 Mars 1971 [R/579/71 (ECO 62)]

1.4. The III Medium-term economic policy Programme

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 10 mai 1968. Résumé des conclusions, Bruxelles 13 mai 1968 [6980/II/68]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 28ème réunion du Comité (16-17 mai 1968), Bruxelles 10 juin 1968 [6983/II/68]

Commission, Comité de Politique économique à moyen terme, Exposé du Dr. Arndt, Président sur l'éventail des mesures d'assainissement des charbonnages, y compris les mesures d'encouragement au développement des structures régionales, Bruxelles 12 juin 1968 [6985/II/68]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 12 Juillet 1968. Résumé des conclusions, Bruxelles 16 Juillet 1968 [10070/II/68]

Commission, Comité de Politique économique à moyen terme, Note du secrétariat en vue d'introduire la discussion du mémorandum de la délégation allemande sur la compatibilité de la politique économique allemande avec les orientations définies au premier programme de politique économique à moyen terme, Bruxelles 3 Juillet 1968 [10286/II/68]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 29ème réunion du Comité (19 Juillet 1968), Bruxelles 22 Juillet 1968 [10071/II/68]

Commission, Comité de Politique économique à moyen terme, Mémorandum de la délégation allemande au comité de politique économique à moyen terme au sujet de la compatibilité de la politique économique allemande avec les lignes directrices du premier programme de politique économique à moyen terme, Bruxelles 1 Juillet 1968 [10282/II/68]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 30ème réunion du Comité (11 octobre 1968), Bruxelles 28 octobre 1968 [18085/II/68]

Commission, Comité de Politique économique à moyen terme, Liste des questions susceptibles d'être posées à la Délégation néerlandaise en vue d'introduire la discussion de son mémorandum

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 30 et 31 janvier 1969. Résumé des conclusions, Bruxelles 7 février 1969 [2576/II/69]

Commission, Stratégies alternatives d'évolution à moyen terme du niveaux des prix et leurs conséquences pour le marché commun, Bruxelles 24 janvier 1969 [21535/II/68]

Commission, Comité de Politique économique à moyen terme, Premières propositions de la Commission pour le choix des thèmes du troisième programme de politique économique à moyen terme, Bruxelles 10 décembre 68 [18094/II/68]

Commission, Comité de Politique économique à moyen terme, Avant-projet de mandat pour le Groupe de travail chargé d'étudier les problèmes des relations économiques extérieures, Bruxelles 14 janvier 1969 [626/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 31ème réunion du Comité (13 et 14 février 1969), Bruxelles 17 mars 1969 [5255/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 32ème réunion du Comité (1er avril 1969), Bruxelles 14 Avril 1969 [6637/II/69]

Commission, Comité de Politique économique à moyen terme, Mémoire du secrétariat sur les travaux envisagés par le groupe de travail 'Politique des échanges extérieurs' dans le cadre de l'élaboration du Troisième programme de Politique économique à moyen terme, Bruxelles 27 février 1969 [5246/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 33ème réunion du Comité (23 mai 1969), Bruxelles 4 juin 1969 [10107/II/69]

Commission, Comité de Politique économique à moyen terme, Note d'introduction à l'examen des mémorandums des délégations belge et luxembourgeoise, Bruxelles 25 mars 1969 [6631/II/69]

Commission, Mémorandum de la Commission au Comité de Politique Économique à moyen terme sur l'exécution du Premier Programme de Politique économique à moyen terme, Bruxelles 13 mars 1969 [191/II/69]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 16 juin 1969. Résumé des conclusions, Bruxelles 23 Juin 1969 [OR II-153/69]

Commission, Comité de Politique économique à moyen terme, État d'avancement des travaux pour la préparation du troisième programme, Bruxelles 11 Juin 1969 [OR II-134/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 34ème réunion du Comité (27 Juin 1969), Bruxelles 10 juillet 1969 [10120/II/69]

Commission, Résumé du mémorandum de la Commission au Comité de Politique économique à moyen terme sur l'exécution du premier programme de Politique économique à moyen terme, Bruxelles 3 juin 1969 [11359/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 35ème réunion du Comité (19 septembre 1969), Bruxelles 25 septembre 1969 [14474/II/69]

Commission, Comité de Politique économique à moyen terme, Note d'introduction à l'examen du Mémorandum de la délégation italienne, Bruxelles 6 Juin 1969 [11546/II/69]

Commission, Mémorandum sur les problèmes et les orientations de la Politique économique à moyen terme, Schéma préliminaire, [16335/II/69]

Commission, Comité de Politique économique à moyen terme, Mandat pour le groupe de travail chargé d'étudier les problèmes des relations économiques extérieures [6639/II/1969]

Commission, Comité de Politique économique à moyen terme, Groupe de travail 'Politique des échanges extérieurs', Premières conclusions concernant la Politique commerciale commune, Bruxelles 15 Juillet 1969 [10115/II/69]

Commission, Comité de Politique économique à moyen terme, Groupe de travail 'Politique des échanges extérieurs', Objectifs en matière de Politique des échanges extérieurs dans le secteur agricole, Bruxelles 15 Juillet 1969 [10117/II/69]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 9 et 10 octobre 1969. Résumé des conclusions, Bruxelles 16 octobre 1969 [OR II-327/69]

Commission, Comité de Politique économique à moyen terme, Exposé de M. Toulemon, Directeur général des affaires industrielles, lors de la réunion des suppléants du 9 Octobre 1969, Bruxelles 24 Octobre 1969 [19786/II/69]

Commission, Comité de Politique économique à moyen terme, Évaluation globale du coût de la politique agricole de la CEE pour les États membres en 1970, Contribution de la délégation Néerlandaise à la discussion sur les prix agricoles [13875/II/69]

Commission, Comité de Politique économique à moyen terme, La politique régionale dans la Communauté (Note de la direction générale de la Politique régionale), Bruxelles 22 août 1969 [OR II-189/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 36ème réunion du Comité (14 novembre 1969), Bruxelles 17 novembre 1969 [19789/II/69]

Commission, Comité de Politique économique à moyen terme, Objet: Projet de mémorandum sur les orientations à moyen terme, Bruxelles 7 novembre 1969 [17902/II/69 rév.]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 37ème réunion du Comité (12 décembre 1969), Bruxelles 20 janvier 1970 [662/II/70]

Projet d'avis présenté par la délégation allemande concernant le mémorandum de la Commission au Conseil sur les grandes orientations à moyen terme dans la Communauté

Commission, Comité de Politique économique à moyen terme, État d'avancement des travaux des groupes de travail du Comité, Bruxelles 23 janvier 1970 [OR II-361/70]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 30 janvier 1970. Résumé des conclusions, Bruxelles 4 février 1970 [2243/II/70]

Commission, Note du travail du secrétariat sur la question du rapport existant entre l'évolution des prix et l'équilibre extérieur' [17852/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 38ème réunion du Comité (13 février 1970), Bruxelles 18 février 1970 [2250/II/70]

Commission, Note de la direction générale des affaires économiques et financières concernant la préparation du 3ème programme et le programme de travail pour les années 1970, Bruxelles 24 janvier 1970 [OR II-362/70]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 11 et 12 Mars 1970. Résumé des conclusions, Bruxelles 9 avril 1970 [OR II-391/70]

Commission, Comité de Politique économique à moyen terme, Document de travail concernant certains problèmes de politique économique extérieure, Bruxelles 26 février 1970 [3717/II/70]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 39ème réunion du Comité (28 avril 1970), Bruxelles 1 juin 1970 [OR II- 408/70]

Commission, Comité de Politique économique à moyen terme, Schéma développé pour le chapitre IV du 3ème Programme 'Les conditions de réalisation au niveau de la Communauté, Bruxelles 24 Avril 1970 [OR II/399/70]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 5 juin 1970. Résumé des conclusions, Bruxelles 11 juin 1970 [10324/II/70]

Commission, Comité de Politique économique à moyen terme, Schème détaillé pour l'avant projet de troisième programme [9763/II/70]

Commission, Groupe de travail pour la comparaison de budgets Rapport élaboré à la demande du Comité de Politique économique à moyen terme sur les aides financières aux entreprises et leur répartition par activités économiques, Bruxelles 8 avril 1970 [19967/2/II/69]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 40ème réunion du Comité (19 juin 1970), Bruxelles 25 juin 1970 [10 330/II/70]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 9 et 10 juillet 1970. Résumé des conclusions, Bruxelles 15 juillet 1970 [11970/II/70]

Commission, Comité de Politique économique à moyen terme, Avant-projet pour le chapitre III du programme de politique économique à moyen terme, Les orientations pour la politique économique, Bruxelles 3 juillet 1970 [10325/II/70]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 41ème réunion du Comité (23 et 24 juillet 1970), Bruxelles 30 Juillet 1970 [11972/II/70]

Commission, Projet de texte sur les relations entre l'agriculture et le développement économique de la Communauté, [OR II-419/70]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 42ème réunion du Comité (17 et 18 septembre 1970), Bruxelles 21 septembre 1970 [OR II- 431/70]

Commission, Comité de Politique économique à moyen terme, Groupe de rédaction, Avant-projet de troisième programme ,Chapitre I : Vers une stratégie cohérente pour la Communauté [11980/II/70]

Commission, Comité de Politique économique à moyen terme, Groupe de rédaction, Avant-projet de troisième programme, Chapitre II: Les perspectives économiques globales et leur compatibilité [11981/II/70]

Commission, Comité de Politique économique à moyen terme, Groupe de rédaction, Avant-projet de troisième programme, Chapitre III: Les orientations pour la politique économique [11982/II/70]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 43ème réunion du Comité (5 et 6 octobre 1970), Bruxelles 12 octobre 1970 [18794/II/70]

Comité des Organisations Professionnelles agricoles Note sur le projet de second programme de Politique économique à moyen terme, Bruxelles 12 septembre 1968

Commission, Comité de Politique économique à moyen terme, Liste de thèmes cités lors des dernières réunions du Comité ou de suppléants comme pouvant être éventuellement inclus dans l'avant projet de troisième programme, Bruxelles 11 septembre 1968 [13530/II/68]

Commission, Liste des requêtes des directions générales au sujet des thèmes à retenir pour le troisième programme de politique économique à moyen terme, (Communication de M. R. Barre à messieurs les Membres du Groupe de l'économie Générale), Bruxelles 15 Novembre 1968 [SEC]

Commission, Groupe d'étude des perspectives économiques à moyen terme, Note du secrétariat concernant le calendrier des travaux des pays membres pour la préparation des projections 1975 pour le 3e programme de politique économique à moyen terme, Bruxelles 14 Avril 1969 [8177/II/69]

Commission, Comité de Politique économique à moyen terme, Premiers indications sur le Contenu possible du Mémorandum de la Commission sur les problèmes que font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres, Bruxelles 2 Mai 1969 [9000/II/69]

Commission, Rapport du Comité de Politique économique à moyen terme sur le mémorandum de la Commission au Conseil du 12 février 1969, Bruxelles 10 Juin 1969 [OR II-135-69]

Commission, Comité de Politique économique à moyen terme, Prise de position de la Délégation italienne au sujet de la constitution d'un groupe de travail pour la politique régionale auprès du Comité de Politique économique à moyen terme, Bruxelles 13 août 1969 [OR II-184/69]

Commission, Comité de Politique économique à moyen terme, Délais pour les travaux du groupe 'Politique des structures sectorielles', Bruxelles 30 Juillet 1969 [OR II-175/69]

Commission, Comité de Politique économique à moyen terme, Projet révisé, Avis sur la proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régionale (présentée par la Commission au Conseil), Bruxelles 23 Avril 1970 [OR II-397/70]

Conseil, Troisième programme de politique économique à moyen terme, JO L 49 du 1.3.71

Commission, Comité de Politique économique à moyen terme, Introduction à la discussion sur le programme de travail du Comité de Politique économique à moyen terme (réunion de suppléants du 18 décembre 1970), Bruxelles 16 décembre 1970 [18797/III/70]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 18 décembre 1970. Résumé des conclusions, Bruxelles 19 janvier 1971 [II-20/71]

Commission, Comité de Politique économique à moyen terme, Complément à la note concernant le programme de travail du Comité de Politique économique à moyen terme, Bruxelles 20 Janvier 1971 [II/45/71]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 4 et 5 février 1971. Résumé des conclusions, Bruxelles 25 février 1971 [II-69/71]

Commission, Note à l'attention du comité de politique économique à moyen terme, Objet: Orientations et objectifs des 1er et 2ème programmes de politique économique à moyen terme en matière de politique industrielle, repris et développés dans le mémorandum de la Commission au Conseil sur la politique industrielle, [11932/III/70]

Commission, Comité de Politique budgétaire, Groupe de travail 'Projections de finances publiques' Rapport Intérimaire au Comité de politique budgétaire et au Comité de Politique économique à moyen terme sur les projections de finances publiques dans les États membres (1970-1975). Bruxelles 22 septembre 1970 [13343/1/II/70]

Commission, Comité de Politique économique à moyen terme, Préparation du programme de travail du Comité, Bruxelles 26 février 1971 [II/66/71]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants des 11 et 12 mars 1971. Résumé des conclusions, Bruxelles 10 mars 1971 [II-145/71]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 44ème réunion du Comité (29 et 30 mars 1971), Bruxelles 6 avril 1971 [II-218/71]

Commission, Comité de Politique économique à moyen terme, Réunion des suppléants du 10 mai 1971. Résumé des conclusions, Bruxelles 19 mai 1971 [292/II/71]

Commission, Introduction à la discussion du point 5 du projet d'ordre du jour de la 45ème réunion du Comité de Politique économique à moyen terme, Problèmes structurels et développement de la Communauté [OR II-222/71]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 45ème réunion du Comité (1 juillet 1971), Bruxelles 12 juillet 1971 [II-391/71]

Commission, Comité de Politique économique à moyen terme, État d'avancement des travaux en matière de politique régionale, Bruxelles 2 Juin 1971 [II/323/71]

Commission, Comité de Politique économique à moyen terme, État d'avancement des travaux en matière de politique industrielle, Bruxelles 3 juin 1971 [II/325/71]

Commission, Comité de Politique économique à moyen terme, 'Tableau de bord structurel' et Analyse des problèmes structurels dans la Communauté' Remarque préliminaire [OR II-387/71]

Commission, Comité de Politique économique à moyen terme, Lettre du président du Groupe de travail 'Politique des échanges extérieurs' au président du Comité de Politique économique à moyen terme, Bruxelles 11 juin 1971 [II/328/71]

Commission, Comité de Politique économique à moyen terme, Prévisions des travaux pour les prochaines réunions [II/458/71]

Commission, Comité de Politique économique à moyen terme, Réunion préparatoire des suppléants du 1 Octobre 1971, Résumé des conclusions, Bruxelles 7 Octobre 1971 [II/514/71]

Commission, Rapport annuel sur la situation économique de la Communauté, Proposition de la Commission au Conseil, Bruxelles 14 septembre 1971 [COM(71) 1100]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 46ème réunion du Comité (12 octobre 1971), Bruxelles 18 octobre 1971 [II-591/71]

Commission, Comité de Politique économique à moyen terme, Résumé des conclusions de la réunion préparatoire des suppléants du 25 novembre 1971, Bruxelles 16 décembre 1971 [II/723/71]

Commission, Comité de Politique économique à moyen terme, La mise à jour des orientations compatibles -les éléments du débat-, Bruxelles 17 novembre 1971 [II/598/71]

Commission, Mécanismes d'accroissement des Prix (Italie), Bruxelles 16 novembre 1971 [II/665/71]

Commission, Comité de Politique économique à moyen terme, Résumé des conclusions de la réunion préparatoire des suppléants des 11 et 12 janvier 1972, Bruxelles 18 janvier 1972 [II/41/72]

Commission, Comité de Politique économique à moyen terme, Introduction à la discussion du point 3 du projet d'ordre du jour sur le 'Programme de travail du Comité pour 1972', Bruxelles 31 décembre 1971 [II/725/71]

Commission, Comité de Politique économique à moyen terme, Projet de compte-rendu succinct de la 47ème réunion du Comité (27 janvier 1972), Bruxelles 9 février 1972 [II/85/72]

Commission, Avant-projet de communication de la Commission au Conseil concernant l'adaptation des orientations de la politique économique pour 1972, Document de travail des services de la Commission, Bruxelles 17 février 1972

2. On the role of the Commission

2.1. The earliest stages

Letters by Marjolin, Bobba and DGII to Permanent representatives and Commission officials

Commission, Les régions dans la CEE [II/COM(59) 113]

Commission, Les politiques régionales des États membres de la CEE [II/COM(59) 114]

Commission, Réunion des Responsables nationaux de politique régionale, Ordre du Jour, Bruxelles 7 Septembre 1959

Commission, Note à l'attention de M. Bobba, Objet: Politique régionale de la Communauté, Bruxelles 9 Septembre 1959 [06196]

Commission, Extrait du Procès-verbal de la 72ème réunion de la Commission le 9 Septembre 1959, Problèmes de la Politique régionale (docs. COM(59) 113 et COM(59) 1140), Bruxelles 17 Septembre 1959

Commission, Document réservé à l'attention de Ms. Marjolin et Bobba, Objet: Décisions auxquelles il serait désirable d'aboutir lors de la Réunion des Responsables Nationaux des politiques régionales, Bruxelles 10 Septembre 1959 [II/10/BB/2122]

Commission, Groupe de travail Inter-Directions Générales: Politique régionale, Note, Objet: Compte-rendu de la réunion n.1 du 16.9.59 au Bureau du Directeur Général II, Bruxelles 21 Septembre 1959 [II/ 2226/59]

Commission, Réunion des responsables nationaux des politiques régionales, Projet de compte rendu de la réunion n.1 du 25 septembre 1959, Bruxelles 6 Novembre 1959 [II/5038/59]

Commission, Groupe de travail Inter-Directions générales, Ordre du jour no.2 Réunion du 14 Octobre 1959, Objet: Délimitation des régions socio-économiques, Bruxelles 9 Octobre 1959 [II/4441/59]

Commission, Éléments d'une politique de développement régional,

Commission, Délimitation des régions de la CEE, Document de travail, Bruxelles 13 Octobre 1959 [II/4465/59]

Commission, Groupe de travail des experts nationaux des politiques régionales, Projet de compte rendu de la réunion no.1 du 16 Octobre 1959, Objet: Délimitation régionale, Bruxelles 19 Octobre 1959 [II/5117/59]

Commission, Politiques régionales des États membres de la CEE. Étude Préliminaire, Rédaction no.2, Bruxelles Novembre 1959 [II/5387/59]

Commission, Note pour M. Bobba, Objet: Compte rendu des entretiens sur la délimitation des régions socio-économiques de la CEE du 14 au 18 Décembre 1959, Bruxelles 6 Janvier 1960

Commission, Groupe de travail des experts nationaux des politiques régionales, Projet de compte rendu de la réunion no.2 du 15 Janvier 1960, Objet: Délimitation régionale, Bruxelles 15 Janvier 1960 [II/1163/60]

Commission, Groupe de travail des experts nationaux des politiques régionales, Compte rendu résumé de la réunion no.3 du 28.3.1960, Objet: Délimitation régionale, Bruxelles 9 Avril 1960

Commission, Avant-projet de rapport du groupe de travail des experts nationaux en matière régionale, Bruxelles 12 mai 1960

Commission, Groupe de travail des experts nationaux en matière régionale, Projet de compte rendu de la réunion no. 4 des 23 et 24 Juin 1960, Bruxelles 6 Juillet 1960 [II/4017/60]

Commission, Groupe de travail des experts nationaux des politiques régionales, Projet de compte rendu de la réunion no.5 du 7 Février 1961, Objet: Délimitation régionale, Bruxelles [II/2129/61]

Commission, Note, État d'avancement des travaux en matière de délimitation régionale, Bruxelles 30 Novembre 1960

Commissione, Nota, Oggetto: Gruppo degli alti funzionari responsabili della politica regionale nei paesi membre. Attività del Gruppo fra il 1959 ed il 1965, Bruxelles

Commission CEE (1962) *Documents de la Conférence sur les économies régionales*, Bruxelles 6-8 Décembre 1961, vol. I & vol. II.

Commission, Extrait du Procès-verbal de la 185ème réunion de la Commission le 11 Avril 1962, Bruxelles 18.4.1962

Commission, Note pour la Commission. Objet: Organisation des travaux relatifs à la politique régionale entre les diverses directions générales, Bruxelles 29 Juin 1962 [S/04261/62]

Commission, Extrait du Procès-verbal de la 194ème réunion de la Commission les 18-19 juillet 1962 [S/04816/62]

Commission, Extrait du procès-verbal de la 219ème réunion de la Commission les 25,26,27 Février 1963, VIII. Développement des travaux en matière de politique régionale [S/0764/63]

Commission, Extrait du procès-verbal de la 293ème réunion de la Commission les 9 et 13 Novembre 1964, XVII Problèmes de politique régionale dans le secteur des Transports [S/02703/64]

Commission, (1964) Rapports de groupes d'experts sur la politique régionale dans la CEE, Bruxelles

Commission, Extrait du Procès verbal de la 316ème réunion de la Commission le 5 mai 1965.

Commission, Extrait du Procès verbal de la 317ème réunion de la Commission le 11 mai 1965

Commission CEE, Première Communication de la Commission sur la Politique régionale dans la Communauté Économique Européenne, Bruxelles 11 mai 1965 [II/SEC(65) 1170 final]

Parlement Européen, 'La politique régionale dans les États membres de la CEE, janvier 1966 [PE 15.044]

2.2. The regional chapter of the I Medium-term economic policy Programme

Mandat du groupe de travail 'Politique économique régionale' (proposition du président), [774/II/65]

Comité de politique économique à moyen terme, Exposé de M. Mansholt, Problèmes de la Politique agricole commune, Réunion du 21 mai 1965 [10272/VI/65]

Commission, Comité de politique économique à moyen terme, Réunion des suppléants du 18th Juin 1965 [8414/II/65]

Commission, Document destiné au Groupe des hauts Fonctionnaires responsables de la politique régionale dans les États Membres. Problèmes de la politique régionale dans le cadre de la politique économique à moyen terme, Bruxelles [8892/II/65]

Commission, Comité de Politique économique à moyen terme, Avant-projet de programme, chapitre VI, 21 Octobre 1965 [13269/II/65]

Commission, Projet de compte rendu succinct de la dixième réunion du Comité de Politique Économique à Moyen terme (5 novembre 1965), Bruxelles 9 novembre 1965 [14112/II/65]

Commission, Avant-projet de premier programme de politique économique à moyen terme, Projet de chapitre VI, 15 décembre 1965 [13269/1/II/65]

Commission, Problèmes de la politique régionale, 17 décembre 1965 [3255/2/II/65]

Commission, Comité de Politique économique à moyen terme, Avant projet de programme de politique économique à moyen terme [787/II/66]

2.2.1. The examination of the Commission's draft of I Medium-term economic policy Programme

Commission, Projet de programme de politique économique à moyen terme (1966-1970), Bruxelles 29 Avril 1966 [II/G(66) 186 rév.]

Conseil, Note, Objet: Projet de programme de politique économique à moyen terme pour la période 1966-1970, Bruxelles le 6 Mai 1966 [R/445/66 (ECO 36) (AG 117)]

Conseil, Note, Projet de programme de politique économique à moyen terme pour la période 1966-1970, Bruxelles le 12 mai 1966 [R/474/66 (ECO 44) (AG 120)]

Commission, Note à l'attention de M. Marjolin Objet: Réunion du comité des représentants Permanents du 11 mai 1966, Bruxelles le 13 mai 1966 [SEC(66) 1498]

Conseil, Note, Projet de programme de politique économique à moyen terme pour la période 1966-1970, Bruxelles le 2 Juin 1966 [R/558/66 (ECO 52) (AG148)]

Conseil, Comité des Représentants Permanents Projet de compte rendu sommaire de la 388ème réunion tenue à Bruxelles les 15, 16, 17 Juin 1966, Bruxelles, le 6 Juillet 1966 [747/66 (RP/CRS 20)]

Commission, Note à l'attention de MM. les membres de la Commission Objet: Réunion du Comité des Représentants permanents du 21 Novembre 1966, Bruxelles le 23 novembre 1966 [SEC(66)3655]

Commission, Note à l'attention de MM. les membres de la Commission Objet: Réunion du Comité des Représentants permanents du 1er décembre 1966, Bruxelles le 3 décembre 1966 [SEC(66) 3789]

Conseil, Note, Projet de programme de politique économique à moyen terme, Bruxelles le 16 décembre 1966 [R/1464/66 (ECO 118) (AG 351)]

Conseil, Comité des représentants Permanents, Note. Objet: Mise en œuvre des décisions prises par le Conseil de la CEE lors de sa 202ème session tenue le 20 décembre 1966, Bruxelles 6 Janvier 1967 [18/67]

Conseil, Extrait du procès-verbal de la 202ème session du Conseil CEE tenue à Bruxelles le 20 décembre 1966 [R/1527/66 (MC/PV/R 13)]

Conseil, Projet de compte rendu sommaire de la réunion restreinte tenue à l'occasion de la 406ème réunion (Bruxelles 30-1 décembre 66) [R/1361/66 (RP/CRS/R38)]

Conseil, Projet de compte rendu sommaire de la 406ème réunion tenue à Bruxelles 30-1-2-5 décembre 66 Bruxelles, le 14 décembre 66 [1378/66 (RP/CRS 37)]

Commission Note à l'attention de MM. les membres de la Commission Objet: Réunion du Comité des Représentants permanents du 5 Janvier 1967, Bruxelles 6 Janvier 1967 [SEC (67) 32]

Conseil, Comité des représentants permanents (5, 6, 9,10 Janvier 1967) [doc.30/67 (RP/(CRS1) du 18 janvier 67]

Conseil, Projet de compte rendu sommaire de la 409ème réunion tenue a Bruxelles 5,6,7,10 Janvier 67 [30/67 (RP/CRS 1)]

Conseil, Projet de compte rendu sommaire de la 410ème réunion, Bruxelles 17-18-19 Janvier 67, Bruxelles 1 février 67 [70/67 (RP/CRS 2)]

Conseil, Extrait du Compte rendu sommaire de la 410ème réunion du Coreper, Bruxelles 17, 18, 19 Janvier 1967 [70/67 RP/CRS 2]

Conseil, Document de travail, Objet: Amendements proposes par les délégations au projet de programme de politique économique à moyen terme, Bruxelles 20 janvier 1967 [T/27/67 (ECO) (AG)]

Conseil, Objet: Projet de programme de politique économique à moyen terme, Bruxelles le 30 Janvier 1967 [R/113/67 (ECO 15) (AG 32)]

Conseil, Procès verbal de la Réunion restreinte tenu à l'occasion de la 207ème session du conseil de CEE, (Bruxelles le 8, 9 Février 67) [R/179/67 (MC/PV/R 2) final du 6 février 68]

Conseil, Note, Projet de programme de politique économique à moyen terme, Bruxelles le 7 février 67 [R/144/67 (ECO 21) (AG 39)]

Commission, Note à l'attention de MM les membres de la commission, Objet: Réunion du Comité de représentants permanents du 1er février 1967. Projet de programme de politique économique à moyen terme, Bruxelles 4 février 1967 [SEC(67) 390]

Commission, Note à l'attention de MM les membres de la commission, Objet: Réunion du Comité de représentants permanents du 7 février 1967. Projet de programme de politique économique à moyen terme, Bruxelles 8 février 1967 [SEC(67) 405]

Conseil, Note, Programme de politique économique à moyen terme, Bruxelles le 20 Mars 1967 [R/341/67 (ECO 48) (AG 82)]

Conseil, Note, Programme de politique économique à moyen terme, Bruxelles le 20 Mars 1967 [R/199/1/67 (ECO25) (AG52) rév.1 + Corr.1]

Conseil, Note, Programme de politique économique à moyen terme, Bruxelles le 4 Avril 1967 [R/410/67 (ECO 57) (AG81)]

Commission, Note à l'attention de M. Marjolin et de M. Levi-Sandri, Objet: Réunion du Comité des Représentants Permanents du 4 Avril 1967, Bruxelles 6 Avril 1967 [SEC(67) 1124]

Programme de Politique économique à moyen terme (1966-1970), JO du 25.4.67 1531/67

2.2.2. The examination of the 1965 Communication simultaneously to the I Medium-term economic policy programme

Conseil, Comité des Représentants Permanents Projet de compte rendu sommaire de la 388ème réunion tenue à Bruxelles les 15, 16, 17 Juin 1966, Bruxelles, le 6 Juillet 1966 [747/66 (RP/CRS 20)]

Commission, Note à l'attention de MM. les membres de la Commission. Objet: Réunion du Comité des Représentants permanents du 16 juin 1966, Bruxelles 18 Juin 1966 [SEC(66) 1937]

Conseil, Comité des Représentants Permanents Projet de compte rendu sommaire de la 388ème réunion tenue à Bruxelles les 11 et 12 juillet 1966, Bruxelles 20 Juillet 1966, [899/66 (RP/CRS 24)]

Commission, Note à l'attention de M. Marjolin Objet: Réunion du comité des représentants Permanents du 12 juillet 1966, Bruxelles le 14 Juillet 1966 [S/023941/66]

Conseil, Comité des Représentants Permanents Projet de compte rendu sommaire de la réunion restreinte tenue à l'occasion de la 396ème réunion (Bruxelles le 14, 15, 19 et 21 septembre 1966), Bruxelles le 23 Septembre 1966 [R/947/66 (RP/CRS/R 28)]

Commission, Note à l'attention de MM. les membres de la Commission. Objet: Réunion du Comité des Représentants permanents du 15 Novembre 1966, Bruxelles 17 Septembre 1966 [SEC(66) 2844]

Conseil, Rapport du Groupe des Questions économiques au Comité des représentants Permanents sur la Politique régionale dans la CEE, Bruxelles le 8 novembre 1966 [R/1214/66 (ECO103) (AG 296)]

2.3. DGIV and regional policy

Commission, Note, Objet: Moyens d'intervention de la C.E.E. en matière de reconversion des régions touchées par la fermetures des mines de charbon, Bruxelles 2 février 1960 [904/60]

Projet de note pour le Groupe de travail 'Investissements Américains' Bruxelles 1963.

Commission, 'La politique de concurrence, partie intégrante de la politique économique dans le Marche commun', Discours prononcé par Hans von der Groeben, Membre de la Commission de la CEE, Président du groupe concurrence devant le Parlement Européen à Strasbourg le 16 Juin 1965

Commission, H. von der Groeben, Lettre adressée le 9.7.1965 aux gouvernements de la Belgique, de la France, du Grand Duché de Luxembourg [12803/IV/65]

Commission, Note d'information pour la Commission, Objet: Essai d'interprétation de la disposition d'exception de l'article 92.3.c) du Traité CEE et possibilités d'action de la Commission au titre de cette disposition, Bruxelles Avril 1966

Commission, Proposition d'un règlement du Conseil fixant en application de l'article 94 CEE les conditions et les modalités d'application de certaines dispositions de l'article 93 CEE (présentée par la Commission au Conseil), Bruxelles 30 Mars 1966 [COM(66) 95 final]

Conseil, Note, Objet: Communication de la Commission au Conseil sur les critères pour l'établissement d'une politique commune d'aides en agriculture. Proposition de règlement portant modification du règlement n 26 du Conseil, Bruxelles 20 avril 1966 [R/379/66 (AGRI 160)]

Commission, Note Objet: Remarques concernant le document SEC(66) 3281 du 21 Octobre 1966 'Essai d'interprétation de l'article 92.3.c), Bruxelles Octobre 1966

Commission, Note résumée des problèmes et des résultats de la réunion des 13 et 14 octobre 1966 [13494/IV/66].

Commission, Modification a la proposition d'un règlement du Conseil fixant, en application de l'article 94 CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 CEE (présentées par la Commission au Conseil au titre de l'article 149, alinéa 2 CEE), Bruxelles 10 Novembre 1966 [COM(66) 457]

Commission, Les investissements Américains dans la CEE, Bruxelles 15 mars 1967 [3152/III/67]

Commission, Les aides dans le domaine des transports, Bruxelles 8 mai 1967

Emendamenti proposti dal governo Italiano al testo presentato dalla Commissione CEE per il regolamento ex art. 94, 11 ottobre 1967

Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE, Bruxelles 1 décembre 1967 [R/1677/67 (ECO 176)]

Commission, Rapport 2/67 sur l'état des régimes d'aides existantes, Bruxelles 20 décembre 1967 [SEC(67) 5002]

Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE, Bruxelles 6 juin 1968 [R/1014/68 (RC 23)]

Conseil, Document de travail, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE, Bruxelles 1 août 1968 [T/452/68]

Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE, Bruxelles 30 septembre 1968 [R/1675/68 (RC 33)]

Conseil, Aide-mémoire, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité CEE. Réunion du groupe des questions économiques du 7 novembre 1968, Bruxelles 12 novembre 1968 [R/1965/68 (RC 36)]

Conseil, Note, Objet: Proposition de règlement du Conseil fixant, en application de l'article 94 du Traité CEE, les conditions et les modalités d'application de certaines dispositions de l'article 93 du Traité, Bruxelles 14 février 1969 [R/262/69 (RC 5)]

Communication de la Commission au Conseil concernant les régimes généraux d'aides à finalité régionale JO C 111 du 4.11.71

Conseil, Note, Objet: Communication de la Commission au Conseil concernant les régimes généraux d'aides à finalité régionale, Bruxelles 7 Octobre 1971 [R/1983/71 (ECO 203)]

Commission, Competition Reports (1971 until 1975)

Conseil, Communication à la Presse sur le Conseil du 20 Octobre 1971, Luxembourg 20 Octobre 1971 [2034/71 (Presse 99)]

Commission, Proposition d'un règlement du Conseil fixant l'application de l'article 94 CEE, les modalités de surveillance par la Commission de l'application, dans les régions centrales de la Communauté, des principes de coordination des régimes généraux d'aides à finalité régionale, (présentée par la Commission au Conseil, Bruxelles 4 décembre 1972 [COM(72) 1523 final]

Commission, General regional aid systems (Communication from the Commission to the Council), Brussels 27 June 1973 [COM(73) 1110]

Conseil, Note, Objet: Communication de la Commission au Conseil sur les régimes généraux d'aides à finalité régionale. Rapport du Groupe des questions économiques au Comité des Représentants Permanents, Bruxelles 22 Octobre 1973 [R/2565/73 (ECO 247)]

Commission's Communication of 26 February 1975, informing the Council of the principles of co-ordination valid for all regions of the Community which would apply from 1 January 1975 [COM(75) 77 final].

2.4. DGVI and regional policy

Commission, Comité de Politique Économique à Moyen terme, Esquisse d'un plan de chapitre sur les problèmes agricoles (élaboré par le secrétariat) Bruxelles 6 avril 1967 [5546/II/67]

Commission, Les aides dans le domaine de l'agriculture, Bruxelles 28 avril 1967

Commission, Résumé des conclusions des réponses aux questions 1 à 7 -agriculture-, Novembre 1966 [11019/1/VI/66]

Commission, Esquisse d'un plan de chapitre sur les problèmes agricoles, Bruxelles 6 avril 1967 [5546/II/67]

Commission, Projet de texte sur les relations entre l'agriculture et le développement économique de la Communauté, [OR II-419/70]

Résolution du Conseil du 25 Mai 1971 concernant la nouvelle orientation de la politique agricole commune [JO C 52 du 27 mai 1971]

Commission, Comité de Politique économique à moyen terme, Réunion préparatoire des suppléants du 1er Octobre 1971, Note de présentation des services de la Commission pour l'examen des actions communautaires de politique régionale dans les régions agricoles prioritaires de la Communauté, Bruxelles 24 septembre 1971 [II/521/71]

3. The Commission's Proposals and their negotiation

3.1. The Negotiation of the 1969, 1971 and 1972 proposals

Commission, Proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale dans la Communauté, Bruxelles 15 Octobre 1969 [COM (69) 950], [R/1887/69 (ECO 200) (FIN 339) + Add. 1], Commission (1969) *A Regional Policy for the Community*.

Commission, Note à l'attention de MM. les membres de la Commission, Objet: 531ème réunion du Comité des Représentants permanents -Proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional et note sur la politique régional dans la Communauté, Bruxelles 31 Octobre 1969 [SEC(69) 3985]

Conseil, Communication à la presse sur la 86ème session du Conseil des 10-11 Novembre 1969, Bruxelles 11 Novembre 1969 [1816/69 (AG 306)]

Comité de Politique économique à moyen terme, Avis sur la proposition du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de politique régional (présentée par la Commission au Conseil), Bruxelles 23 avril 1970 [OR II-397/70]

Conseil, Communication à la Presse sur la session du Conseil des 8-9 Juin 1970 [1085/70 (AG 170)]

Conseil, Relevé des décisions prises par le Conseil lors de sa 116ème session tenue les 8-9 juin 1970 [T/347/70 Add]

Consiglio, Memorandum del Governo Italiano sulla politica regionale della Comunità, Bruxelles, 7 luglio 1970 [R/1492/70 (ECO 149) (FIN 259)]

Commission, Note à l'attention des membres de la Commission, Objet: 565ème réunion du Comité des Représentants permanents 23/7/1970, Proposition de décision du Conseil relative à l'organisation de moyens d'action en matière de développement régional et note sur la politique régionale de la Communauté, 25 Juillet 1970 [SEC(70) 2884]

Conseil, Projet de compte rendu sommaire de la 568ème réunion tenue à Bruxelles, les 15-17 septembre 1970 [1683/70 (RP/CRS 30)]

Conseil, Note. Objet: Proposition de décision du Conseil relative à l'organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale dans la Communauté [R/1791/1/70 (ECO 184) (FIN 335) rev.1]

Conseil, Communication à la presse sur la session du Conseil tenue les 26 et 27 Octobre 1970, Luxembourg le 27 Octobre 1970 [1946/70 (AG 327)]

Conseil, Relevé des décisions prises par le Conseil lors de sa 129ème session tenue les 26/27 octobre 1970 [R/2457/70]

Conseil, Relevé des décisions prises par le Conseil lors de sa 129ème session tenue les 26/27 octobre 1970 [T/641/70]

Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale, Bruxelles 6 Novembre 1970 [R/2276/70 (ECO 229) (FIN468)] et Annexe: Compte rendu sommaire des opinions et commentaires exprimés par les différents délégations au cours de la session du conseil des 26/27 Octobre 1970 sur la liste d'options en matière de politique régionale

Commission, Rapport sur les moyens financiers pour le développement régional, Bruxelles 27 novembre 1970 [SEC(70) 4377]

Commission, Rapport sur les moyens financiers pour le développement régional, 5 Décembre 1970 [R/2586/70 (ECO 267) (FIN 534)]

Conseil, Décision du Conseil (71/66/CEE) du 1 février 1971 concernant la reforme du Fonds Social Européen, JO L 28/15 du 4.2.71

Résolution du Conseil et des représentants des gouvernements des états membres concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, [JO C 28/1 du 27.3.71]

Conseil, Note. Objet: Proposition de décision du Conseil relative à la organisation de moyens d'action de la Communauté en matière de développement régional et Note sur la politique régionale. Projet de rapport du Groupe des questions économiques au Coreper, Bruxelles 26 Mai 1971 [R/1020/71 (ECO108) (FIN223)]

Commission, Communication de la Commission au Conseil concernant les actions communautaires de politique régionale dans les régions agricoles de la Communauté, présenté au Conseil le 28 Mai 1971, [COM (71) 500], [R/1095/71 (ECO 114) (AGRI 369) (FIN 241)], JO C 90 du 11.9.1971

Conseil, Note. Objet: Rapport du Comité des Représentants permanents sur les textes présentés par la Commission au sujet de l'organisation de moyens d'action de la Communauté en matière de politique régionale, Bruxelles, 14 Octobre 1971 [R/1950/2/71 (ECO 197) (AGRI 596) (FIN 435) rév.2]

Conseil, Extrait de la note. Relevé des décisions prises par le Conseil lors de sa 170ème session le 20 octobre 1971 [R/2218/71]

Conseil, Extrait de projet de procès-verbal de la réunion restreinte tenue à l'occasion de la 170ème session du Conseil, 20 Octobre 1971 [R/2217/71 (PV/CONS/R 14) Extr.1]

Commission, Proposition de résolution du Conseil et des représentants des États membres relative à l'application de la résolution du 22 Mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 1 Mars 1972 [COM(72) 250]

Conseil, Communication à la Presse sur la session du Conseil du 6-7 mars 1972, Bruxelles 7 mars 1972 [489/72 (presse 20)]

Conseil, résolution du Conseil et des gouvernements des États membres du 21 Mars 1972 relative à l'application de la résolution du 22 Mars 1971, concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, JO C 38/3 du 18.4.1972

Conseil, Comité des représentants permanents, Projet de compte rendu sommaire de la 642ème réunion tenue à Bruxelles les 8 et 10 mai 1972, Bruxelles 12 Juillet 1972 [931/72 (RP/CRS 17)]

Conseil, Note, Objet: État des travaux en matière de politique régionale, Bruxelles 10 mai 1972 [892/72 (ECO 92) (AGRI 276) (FIN 265)]

Commission, Communication en vue des décisions du Conseil concernant la Politique régionale de la Communauté, Bruxelles 31 Mai 1972 [COM(72) 530 final]

Commission, Proposition de résolution du Conseil relative à des moyens de politique régionale de la Communauté, présentée par la Commission au Conseil le 19 Juin 1972, JO C 94/7 du 9.9.1972

Conseil, Note, Objet: Consultation à titre facultatif de l'Assemblée et du Comité économique et social sur la Communication de la Commission au Conseil en vue de ses décisions concernant la politique régional de la Communauté, Bruxelles 23 Juin 1972 [R/1336/72 (ECO 129)]

Conseil, Note, Objet: Travaux en matière de politique régionale, Bruxelles 23 Juin 1972 [R/1337/72 (ECO 130) (AGRI414) (FIN376)]

Conseil, Communication à la presse sur la 201ème session du Conseil des 26 et 27 Juin 1972, Luxembourg 27 Juin 1972 [1156/72 (Presse 54)]

Conseil, Note. Objet: État des travaux en matière de politique régionale, Bruxelles 3 août 1972 [R/1697/72 (ECO 164) (AGRI 530) (FIN 464)]

Conseil, Note, Objet: État des travaux en matière de politique régionale, Bruxelles 18 septembre 1972 [R/1839/72 (ECO 180) (AGRI 559) (FIN 489)]

Conseil, Note. Objet: politique régionale, Bruxelles, 19 septembre 1972. [R/1872/1/72 (ECO 189) (AGRI 568) (FIN 494) rév. 1]

Conseil, Projet de Rapport du comité des représentants permanents au Conseil, Objet: Politique régionale, Bruxelles 20 Septembre 1972 + Annexe 1: Aperçu synthétique des problèmes clés qui doivent être résolus pour que les travaux sur les propositions faites par la Commission puissent être menées à bonne fin [R/1867/72 (ECO 188) (AGRI 567) (FIN 493)]

Conseil, Rapport du comité des représentants permanents au Conseil, Objet: Politique régionale, Bruxelles 20 Septembre 1972 [R/1867/1/72 (ECO 188) (AGRI 567) (FIN 493) rév.1]

Conseil, Extrait de la Note. Relevé des décisions prises par le Conseil lors de sa 206ème session à Bruxelles les 25-26 Septembre 1972 [T/403/72]

Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 10 Novembre 72 [R/2387/72 (PV/CONS/R 2) Extr. 1]

Conseil, Extrait du projet de procès verbal de la 206ème session du Conseil tenue à Bruxelles, les 25/26 Septembre 1972, Bruxelles 31 Juillet 1973 [R/2387/72 (PV/CONS/R 2) Extr. 3]

Bulletin des CE 8-1972, Chapitre II: Vers un Sommet à Dix, p.15-39

Bulletin des CE 10-1972, La Première Conférence au Sommet de la Communauté élargie, I. p.9-27.

Bulletin des CE 11-1972, La Première Conférence au Sommet de la Communauté élargie, II. 9-76

Conseil, Projet du Rapport du Groupe des questions économiques (Politique régionale) au Comité des Représentants Permanents Objet : Politique régional, Bruxelles 20 Novembre 1972 [T/518/72 (ECO) (FIN)]

Commission, Note à l'attention de MM les Membres de la Commission Objet: 665ème réunion du Coreper: 30/11/72, Bruxelles 4 Décembre 72 [SEC(72) 4362]

Commission, Note à l'attention de MM les Membres de la Commission Objet: 666ème réunion du Coreper: 7/11/72, Bruxelles 9 Décembre 72 [SEC(72) 4508]

Conseil, Extrait du Projet de procès-verbal de la 221ème session du Conseil des 18-19 décembre 1972, 22 Mars 1973 [R/2940/72 (PV/CONS/R6) Extr.2]

Conseil, Extrait no. 1 du projet de procès-verbal, Objet : Politique régionale, Bruxelles 12 Mars 1973 [R/2940/72 (PV/CONS/R6) Extr. 1]

Conseil, Document de travail, Objet : Proposition d'un règlement du Conseil, Bruxelles 16 Mars 1973 [T/158/73 (ECO)]

3.2. The Proposals of July 1973

Commission, Note à l'attention de MM. les membres de la Commission, Objet: - Projet de rapport sur les problèmes régionaux dans la Communauté élargie. -Résultats de la réunion ad hoc de membres de la Commission les plus intéressés (vendredi 30 mars 1973), Bruxelles 2 avril 1973 [COM(73) 550/2]

Commission, Report on the regional problems of the enlarged Community, Brussels 3 May 1973 [COM(73) 550 final], Bulletin EC supplement 8/73, [R/1152/73 (ECO 116) (AGRI 371) (FIN 288)]

Conseil, Extrait du projet de procès-verbal de la 412ème session du Conseil tenue à Bruxelles les 14 et 15 mai 1973, Bruxelles 26 juin 1973 [R/1558/73 (PV/CONS/R 7) Extr.1]

European Parliament, Resolution on Community regional policy, OJ C 62/33 du 31.7.73

Commission, Communication au Conseil relative à la politique régionale [R/2055/73 (ECO 200) (FIN 571)] JO C 86/7, 86/11 and 86/ 12 du 16.10.73

Conseil, Note, Objet: Politique régionale: échange de vues général sur les propositions de la Commission, Bruxelles 20 septembre 1973 [1721/73 (ECO 217) (FIN 563)]

Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 26 septembre 1973 [1722/73 (ECO 218) (FIN 564)]

Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 9 octobre 1973 [1862/73 (ECO230) (FIN 607)]

Conseil, Note, Objet: politique régionale. Information de la Présidence sur l'état actuel des travaux, Bruxelles 1 Octobre 1973 [R/2370/73 (ECO 223) (FIN 602)]

Conseil, Note, Objet: politique régionale: rapport sur l'état des travaux, Bruxelles 9 octobre 1973 [R/2427 (ECO 234) (FIN 614)]

Commission, Proposition de règlement du Conseil relatif à la liste des régions et zones prévue au règlement en faveur desquelles le Fonds Européen de développement régional peut intervenir, 10 Octobre 1973 [COM(73) 1751]

Commission, Communication au Conseil en matière de politique régionale, 10 Octobre 1973 [R/2474/73 (ECO 239) (FIN 628)]

Conseil, Note, Objet: Politique régionale, Consultation de l'Assemblée et du Comité économique et social, Bruxelles 12 Octobre 1973 [R/2483/73 (ECO 242) (FIN 630)]

Conseil, Note, Objet: politique régionale. Échange de vues général sur les propositions de règlements: -relatif à la liste des régions et zones agricoles prioritaires prévue au règlement (CEE) concernant le financement par le Fonds européen d'orientation et de garantie agricole, section orientation, de projets s'inscrivant dans le cadre de programmes de développement dans les régions agricoles prioritaires; -

relatif à la liste des régions et zones prévues au règlement (CEE) en faveur desquelles les Fonds européen de développement régional peut intervenir, Bruxelles 25 Octobre 1973 [2039/73 (ECO 252) (FIN 660)]

Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 19 octobre 1973 [1970/73 (ECO 245) (FIN 642)]

Commission, Note de l'attention de Messieurs les membres de la Commission, Objet: 257ème session du Conseil -15 octobre 1973, Politique régionale, 16 octobre 1973 [SEC(73) 3726]

Conseil, Note, Objet: Politique régionale. Information de la Présidence sur l'état actuel des travaux, Bruxelles 29 octobre 1973 [R/2634/73 (ECO 260) (FIN 673)]

Conseil, Note, Objet: Politique régionale: proposition de règlement portant création d'un Fonds de développement régional, Bruxelles 7 novembre 1973 [2107/73 (ECO266) (FIN 687)]

Commission, Note à l'attention des Messieurs les Membres de la Commission, Objet: 707ème réunion du Comité des représentants permanents -21.11.1973, Politique régionale, Bruxelles 23 novembre 1973 [SEC(73) 4412]

Conseil, Note, Objet: Politique régionale: résumé des travaux du Groupe de travail 'politique régionale' au sujet de certains éléments relatifs aux problèmes concernant le Fonds de développement régional actuellement soumis à l'attention du Comité des Représentants Permanents. Réunion des 22/23 novembre 1973, Bruxelles 27 Novembre 1973 [R/2911/73 (ECO 302) (FIN 744)]

Commission, Note à l'attention de MM les Membres de la Commission Objet: 708ème réunion du Comité des Représentants permanents -29/11/1973 Politique régionale, Bruxelles 30 Novembre 1973 [SEC(73) 4431]

Conseil, Note, Objet: Politique régionale: état des travaux su Comité des Représentants Permanents sur les principaux problèmes concernant le Fonds européen de développement régional, Bruxelles 30 novembre 1973 [R/2970/73 (ECO 309) (FIN 758)]

Conseil, Rapport du Groupe 'politique régionale' au Comité des représentants permanents, Objet: Politique régionale: proposition de règlement (CEE) n .../... du Conseil portant création d'un Fonds européen de développement régional, Bruxelles 4 décembre 1973 [R/2910/73 (ECO 301) (FIN 743)]

Conseil, Objet Politique régionale, -Principaux points devant être discutés par le Conseil, Bruxelles Décembre 73 [R/2978/73 (ECO 312) (FIN 760)]

Conseil, Note du Président du Comité des représentants permanents, 10 Décembre 1973 [R/3080/73 (ECO 319) (FIN 702)]

Conseil, Note, Objet: Politique Régional: projet de décision du Conseil portant création d'un comité de politique régionale, Bruxelles 3 octobre 1973 [1859/73 (ECO 227) (FIN 605)]

Conseil, Note, Objet: Politique régionale: projet de décision du Conseil portant création d'un Comité de politique régionale, Bruxelles 6 octobre 1973 [2108/73 (ECO 267) (FIN 688)]

Conseil, Projet de Rapport du Groupe de travail 'Politique régionale' présenté au Comité des Représentants permanente, Objet: politique régionale : projet de décision du Conseil portant création d'un comité de politique régionale, Bruxelles 16 novembre 1973 [2211/73 (ECO 290) (FIN 717)]

Conseil, Rapport du Groupe de travail 'politique régionale' présenté au Comité des représentants permanents, Objet: politique régionale: projet de décision du Conseil portant création d'un comité de politique régionale, Bruxelles 29 novembre 1973 [R/2955/73 (ECO 306) (FIN 751)]

Conseil, Note, Objet : Proposition de règlement financier portant dispositions particulières applicables au Fonds européen de développement régional, Rapport intérimaire du Comité budgétaire, Bruxelles 13 novembre 1973 [R/2764/73 (ECO 281) (FIN 699)]

Conseil, Note, Objet: Proposition de règlement financier portant dispositions particuliers applicables au Fonds de développement régional: titre II (articles 6 à 8), Bruxelles 16 Novembre 1973 [2224/73 (ECO 272) (FIN 722)]

4. On EMU and regional policy

4.1. The negotiation of the 1 Barre Plan and of the first and second resolution EMU

Commission, Mémoire de la Commission au Conseil au sujet de la politique susceptible d'être poursuivie au sein de la Communauté pour faire face aux problèmes économiques et monétaires actuels, Bruxelles 5 décembre 1968 [SEC(68) 3958 final]

Commission, Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 12 février 1969 [SEC(69) 150]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 504ème réunion du Comité des Représentants permanents du 6 mars 1969. Mémoire de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 7 mars 1969 [SEC(69) 988]

Comité économique et social, Annexe au procès verbal de la 77ème session plénière du Comité économique et social du 26 et 27 mars 1969, Exposé de M. Barre, Vice-président de la Commission sur la politique monétaire de la Communauté, Bruxelles 18 avril 1969 [CES 184/69 annexe2]

Parlement européen, procès verbal de la Commission économique réunion du 14 avril 1969, Bruxelles 14 mai 1969 [PE/II/PV/69]

Commission. Avis de Comité monétaire sur le Mémoire de la Commission au Conseil du 12 février 1969, Bruxelles 14 mai 1969 [SEC(69) 1884]

Commission, Note à l'attention des Membres de la Commission, Objet: 515e réunion du comité des Représentants Permanents du 5 juin 1969 -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 6 juin 1969 [SEC(69) 2190]

Commission; Note à l'attention des Membres de la Commission, Objet: rapport du Comité de politique conjoncturelle relatif au mémorandum de la Commission au Conseil en date du 12 février 1969, Bruxelles 5 juin 1969 [SEC(69) 2155/2]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté -Résumé des observations principales présentées lors de la réunion du Comité des représentants permanents le 17 juin 1969, Bruxelles 20 juin 1969 [R/1055/69 (AGRI 141) (FIN 134)]

Commission, Note à l'attention des Membres de la Commission, Objet: 517e réunion du comité des Représentants Permanents du 17 juin 1969 -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 19 juin 1969 [SEC(69) 2419]

Commission, Note à l'attention des Membres de la Commission, Objet: 518e réunion du comité des Représentants Permanents du 24 juin 1969 -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 26 juin 1969 [SEC(69) 2528]

Commission, Rapport du Comité de Politique économique à moyen terme sur le Mémorandum de la Commission au Conseil du 12 février 1969 (avant-projet), Bruxelles 10 juin 1969 [OR II-133/69]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté -Résumé des observations principales présentées lors de la réunion du Comité des représentants permanents le 3 juillet 1969, Bruxelles 7 juillet 1969 [R/1251/69 (AGRI 168) (FIN 170)]

Commission, Note à l'attention des Membres de la Commission, Objet: 519ème réunion du comité des Représentants Permanents -3 juillet 1969. -Préparation du Conseil 'économique et financier' du 17 Juillet 1969, Bruxelles 7 Juillet 1969 [SEC(69) 2695]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté -Résumé des conclusions principales du Groupe de travail lors de l'examen technique du projet de décision annexe au Mémorandum, Bruxelles 10 juillet 1969 [R/1288/69 (AG 174) (FIN 181)]

Commission, Note à l'attention des Membres de la Commission, Objet: 520e réunion du comité des Représentants Permanents: 10/7/1969 -Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, Bruxelles 14 Juillet 1969 [SEC(69) 2813]

Conseil, Note, Objet: Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, -Examen par le Comité des Représentants permanents, Bruxelles 14 juillet 1969 [R/1316/69 (AG 181) (FIN 187)]

U.N.I.C.E, Avis sur le Mémorandum de la Commission au Conseil sur la coordination des politiques économiques et la coopération monétaire au sein de la Communauté, 7 Octobre 1969

Commission, Comité de Politique économique à moyen terme, Premières indications sur le contenu possible du Mémorandum de la Commission sur les problèmes qui font apparaître pour la Communauté les perspectives d'évolution à moyen terme dans les pays membres (Note des services de la Commission), Bruxelles 2 Mai 1969, [9000/II/69]

Commission, Mémorandum de la Commission au Conseil sur les orientations globales à moyen terme (1971-1975) de la politique économique dans la Communauté, Bruxelles 15 décembre 1969 [COM(69) 1250]

Commission, Comité de politique économique à moyen terme, Avis concernant le Mémorandum de la Commission au Conseil sur les orientations globales à moyen terme (1971-1975) de la politique économique dans la Communauté, 13 janvier 1970 [660/II/70]

Commission séance du 29 janvier 1970, XXV. Déroulement de la 99e session du Conseil consacrée aux affaires économiques et financières (Bruxelles 25 Janvier 1970), [COM (70) PV 108]

Communiqué final of The Hague conférence, JO C136/15 du 11.11.1970

Conseil, Question écrite n 13/70 de M Vredeling posée au Conseil des communautés européennes et projet de réponse révisé à la question écrite, [R/935/2/70 (ASS 471) rév.2]

Commission, Lettre de M Schiller Objet: Mémorandum du gouvernement allemande relatif à un plan par étapes en vue de réaliser l'union économique et monétaire dans la CEE, Bruxelles 23 février 1970 [SA(70) 1463/2]

Commission, Communication de la Commission au Conseil au sujet de l'élaboration d'un plan par étapes vers une union économique et monétaire, Bruxelles 4 mars 1970 [COM(70) 300]

Décision du Conseil du 6 mars 1970 relative à la procédure en matière de coopération monétaire (70/192/CEE0), JO L 59/44 du 14.3.70

Commission, Comité de politique économique à moyen terme (Extrait de Relevé des décisions 116ème session du Conseil -8 et 9 juin 1970: version adoptée par le Comité des représentants permanents lors de leur réunion du 24 juin 1970), Bruxelles 10 juillet 1970 [OR II-415/70]

Conseil, Communication à la Presse sur la 116ème session du Conseil les 8 et 9 juin 1970, Luxembourg 9 juin 1970 [1085/70 (AG 170)]

Rapport intérimaire au Conseil et à la Commission concernant la réalisation par étapes de l'union économique et monétaire de la Communauté, Luxembourg 20 mai 1970 [9504/II/7]

Commission, Proposition de décision du Conseil portant mise en place d'un mécanisme de concours financier à moyen terme (présentée par la Commission au Conseil), Bruxelles 10 juin 1970 [COM(70) 634 final]

Commission, Commission Économique du PE. Compte rendu sommaire, Luxembourg, 13 Juillet 1970 [SEC(70) 2767].

Conseil, Document de travail, Objet: Proposition de décision du Conseil portant mise en place d'un mécanisme de concours financier à moyen terme, -Résumé de l'état d'avancement des travaux, Bruxelles 27 juillet 1970 [T/416/70]

Conseil, Document de travail, Objet: Proposition de décision du Conseil portant mise en place d'un mécanisme de concours financier à moyen terme, -Projet de rapport, Bruxelles 10 septembre 1970 [T/494/70 (FIN)]

Conseil, Document de travail, Objet: Proposition de décision du Conseil portant mise en place d'un mécanisme de concours financier à moyen terme, -Projet de rapport, Bruxelles 22 septembre 1970 [T/516/70]

Commission, Commission économique du PE: compte rendu sommaire, Bruxelles 1 Octobre 1970, [SEC(70) 3503]

Commission, Communication et propositions de la Commission au Conseil relatives à l'institution par étapes de l'union économique et monétaire, Bruxelles 29 octobre 1970 [COM(70) 1250]

Commission, Commission Politique Parlement Européen: Compte rendu sommaire, Bruxelles 16 Novembre 1970 [SEC(70) 4158]

Conseil, Document de travail, Objet: Avant-projet de schéma d'un expose du Président du Conseil devant l'Assemblée, le 17.11.1970, sur l'union économique et les perspectives d'un Union monétaire dans la Communauté, Bruxelles 29 Octobre 1970 [T/643/70 (AG)]

Commission, Commission économique du Parlement Européen: compte rendu sommaire, Bruxelles 24 Novembre 1970 [SEC(70) 4155]

Commission, Note à l'attention de MM. les Membres de la Commission, Compte rendu de la 131ème session du Conseil -Bruxelles- du 23/11/70, Bruxelles 24 Novembre 1970 [SEC(70) 4268]

Commission, Commission économique du Parlement Européen: Compte rendu sommaire, Bruxelles 2 Décembre 1970, [SEC(70) 4353]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 580ème réunion du Comité des Représentants permanents: 9/12/1970 -Proposition de décision du Conseil portant mise en application du mécanisme du concours financier à moyen terme, Bruxelles 12 décembre 1970 [SEC(70) 4597]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 580ème réunion du Comité des Représentants permanents: 9/10.12.1970, -Réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 12 décembre 1970 [SEC(70) 4596]

Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -État d'avancement des travaux, Bruxelles 11 décembre 1970 [R/2678/70 (FIN 553)]

Commission, Note à l'attention de MM. les Membres de la Commission, Compte rendu de la 136ème session du Conseil -Bruxelles- du 14/12/70, Bruxelles 15 décembre 1970 [SEC(70) 4626]

Commission, Commission économique du Parlement Européen: Compte rendu sommaire, Bruxelles 4 Janvier 1971 [SEC(70) 4785]

Conseil, Document de travail, Objet: Projet de décision du Conseil relative au renforcement de la collaboration entre les Banques centrales des États membres de la CCE, -État des travaux, Bruxelles 18 décembre 1970 [T/776/70 (FIN)]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 583ème réunion du Comité des Représentants permanents: 14/1/1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 18 janvier 1971 [SEC(70) 117]

Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -État d'avancement des travaux, Bruxelles 18 janvier 1971 [T/21/71 (FIN)]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 584ème réunion du Comité des Représentants permanents: 21/1/1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 23 janvier 1971 [SEC(71) 234]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 586ème réunion du Comité des Représentants permanents: 4 février 1971 -Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 5 février 1971 [SEC(71) 416]

Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -Projet de résolution/décision du conseil et des Représentants des Gouvernements des États membres. état d'avancement des travaux, Bruxelles 5 février 1971 [R/228/71(FIN 46)]

Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -Projet de décision du Conseil relative au renforcement de la coordination des politiques économiques à court terme des États membres. État d'avancement des travaux, Bruxelles 5 février 1971 [R/229/71 (FIN 47)]

Conseil, Note, Objet: Questions concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté. -Projet de décision concernant le renforcement de la collaboration

entre les Banques centrales des États membres. État d'avancement des travaux, Bruxelles 5 février 1971 [R/230/71 (FIN 48)]

Conseil, Note, Objet: Relevé des décisions prises par le Conseil lors de sa 141ème session tenu les 8/9février 1971, Bruxelles 26 février 1971 [R/376/71 (FIN 70)]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 592ème réunion du Comité des Représentants permanents: 18 mars 1971 -Union économique et monétaire, Bruxelles 9 mars 1971 [SEC(71) 995]

Commission, 'Mise en garde de M Raymond Barre devant le Parlement européen', Bulletin d'information n. 71 du 10 Mars 1971.

Resolution of the Council and the representatives of the Governments of the Member States on the achievement by stages of economic and monetary union in the Community, Bulletin of the EECC 4-1971 p.19-26, JO C 28 du 27.3.1971

Commission séance du 8 mai 1971, Cinquième et septième séance [COM(71) PV 162]

Conseil, Objet: Résolution des Industries de la Communauté Européenne (U.N.I.C.E) sur la situation monétaire au sein de la Communauté, Bruxelles 25 mai 1972 [R/1011/71 (FIN 222)]

Commission, Commission économique du Parlement Européen: Compte rendu sommaire, Bruxelles 28 mai 1971 [SEC(71) 1998]

Conseil, Résolution du Conseil du 9 mai 1971 concernant la situation monétaire, Bruxelles 3 juin 1971. [R/1070/1/71 (FIN234) rév. 1]

Commission, Conséquences pour la Communauté de la situation actuelle dans les domaines monétaires et commerciaux, Bruxelles 15 septembre 1971 [SEC(71) 3274 final]

Commission, Note à l'attention de MM. les Membres de la Commission, 165ème session du Conseil - 20 septembre 1971, Bruxelles 21 Septembre 1971 [SEC(71) 3321]

Commission, Organisation des relations monétaires et financières au sein de la Communauté (Communication de la Commission au Conseil et projet de Résolution du Conseil, Bruxelles 12 Janvier 1972 [COM(72) 50]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 629ème réunion du Comité des Représentants permanents: 27/1/1972 -Organisation des relations monétaires et financières au sein de la Communauté, Bruxelles 28 janvier 1972 [SEC(72) 351]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 630ème réunion du Comité des Représentants permanents: 3/2/1972 -Communication de la Commission au Conseil sur l'organisation des relations monétaires et financières au sein de la Communauté, Bruxelles 7 février 1972 [SEC(72) 476]

Commission, Vue d'ensemble sur les conditions de réalisation de la première étape de l'union économique et monétaire, Bruxelles 16 février 1972 [SEC(72) 622 final]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 632ème réunion du Comité des Représentants permanents: 17/2/1972 -Union économique et monétaire, Bruxelles 21 février 1972 [SEC(72) 690]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 633ème réunion du Comité des Représentants permanents: 17/2/1972 -Problèmes économiques et monétaire, Bruxelles 25 février 1972 [SEC(72) 819]

Conseil, Téléx de l'UNICE du 24 février 1972, Objet: Résolution de l'UNICE sur les problèmes monétaires de la CEE, Bruxelles 25 février 1972 [R/402/72 (FIN 110)]

Commission, Note à l'attention de Messieurs les Membres de la Commission, Compte-rendu sommaire de la 101ème Session plénière du Comité économique et social, Bruxelles 29 février 1972 [SEC(72) 872]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 634ème réunion du Comité des Représentants permanents: 29/2/1972, -Examen de la vue d'ensemble sur les conditions de réalisation de la première étape de l'union économique et monétaire, Bruxelles 1 mars 1972 [SEC(72) 819/2]

Commission, Proposition de résolution du Conseil et des Représentants des Gouvernements des États membres relative à l'application de la Résolution du 22 mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté (présentée par la Commission au Conseil), Bruxelles 1 mars 1972 [COM(72) 250]

Conseil, Note, Objet: Proposition de résolution du Conseil et des représentants des gouvernements des États membres relative à l'application de la résolution du 22 mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, - Consultation de l'Assemblée, - Information du Comité Économique et Social, Bruxelles 3 mars 1972 [R/445/72 (FIN 117)]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 634ème réunion du Comité des Représentants permanents: 2 Mars 1972, -Problèmes économiques et monétaires, Bruxelles 4 mars 1972 [SEC(72) 959]

Note de Mr Cros à l'attention de Monsieur Barre, Objet: Proposition de résolution du Conseil: Union économique et monétaire. Question posée par Monsieur l'Ambassadeur van der Meulen, Bruxelles 3/3/72

Commission, A l'attention de MM. les membres de la Commission, Compte rendu succinct de la 190ème session du Conseil de Ministres consacrée aux 'Questions économiques et monétaires': Bruxelles 6-7 Mars 1971, et Rapport du Comité Monétaire, Rapport du Comité des Gouverneurs des Banques Centrales, Bruxelles 10 Mars 1972 [SEC(72) 965]

Commission, séance du 8 mars 1972, p. 14-15: Réalisation par étapes de l'union économique et monétaire -Déroulement de la 190ème session du Conseil avec la participation des ministres de finances (Bruxelles 6 et 7 mars 1972) [COM(72) PV199]

Conseil, Note, Relevé des décisions prises par le Conseil lors de sa 190ème session tenue les 6/7 mars 1972, Bruxelles 8 mars 1972 [T/117/72]

Conseil, Note, Proposition de résolution du Conseil et des Représentants des Gouvernements des États membres relative à l'application de la résolution du 22 Mars 1971 concernant la réalisation par étapes de l'union économique et monétaire dans la Communauté, Bruxelles 16 Mars 1972 [R/564/72 (FIN 158)]

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 636ème réunion du Comité des Représentants permanents: 16 Mars 1972, -Problèmes économiques et monétaires, Bruxelles 17 Mars 1972 [SEC(72) 1125]

DG XVI, Note d'archives, Objet: Réunion du Coreper du 16.3.1972, Bruxelles 17 Mars 1972

Commission, Note à l'attention de MM. les Membres de la Commission, Objet: 638ème réunion du Comité des Représentants permanents: 13/4/1972, Bruxelles 14 avril 1972 [SEC(72) 1362]

4.2. Enlargement and UK influence

Avis de la Commission au Conseil concernant certaines problèmes consécutifs aux demandes d'adhésion du Royaume-Uni, de l'Irlande du Danemark et de la Norvège, Bruxelles 2 avril 1968

Comité Économique et Social, Exposé de M Vic Feather Secrétaire Général du TUC devant la Chambre de Commerce de Londres, 4 Février 1971, (extrait du Financial Times).

Commission, Rapport no 879 de la Délégation de la Commission des CCEE à Londres, 28 Mai 1971

Commission, Rapport no 887 de la Délégation de la Commission auprès du Royaume-Uni, Objet: Réactions Britanniques après les négociations de Luxembourg, Bruxelles 16 juillet 1971

Commission, Rapport no. 888 de la délégation de la Commission des CCEE à Londres, Objet: Situation en Grande-Bretagne après les accords de Luxembourg, Note diffusé pour information à la demande de la DG des relations extérieures, Bruxelles 20 Juillet 1971 [SA(71) 5643]

Commission, Rapport no. 889 de la Délégation de la Commission des CCEE au Royaume-Uni, Objet: situation en Grande-Bretagne devant l'adhésion au marché commun, Bruxelles 27 juillet 1971 [SEC(71) 3006]

Commission, Rapport 891 de la Délégation de la Commission des CCEE, Londres, 29 juillet 1971

Confederation of British Industry Scotland, 'Scotland and EEC Entry. Report of a Study group on the effects on an assisted area of the United Kingdom', 1971

2. SECONDARY LITERATURE

Aldcroft D. H. (1978), *The European Economy 1914-1980*, London Croom Helm

Allen K. & M.C. Maclennan (1970), *Regional problems and policies in Italy and France*, Sage Publications Beverly Hills

Allen K., 'European regional policies', in Morgan Sant (ed.) (1974), *Regional policy and Planning for Europe*, Saxon House D.C. Heath, p 87-100

Buzelay A & Hannequart A (1994), *Problématique régionale et cohésion dans la Communauté Européenne*, TEPSA, Ed. Economica, Paris

Castellbajac Ph. (1972), *Les aides à l'expansion industrielle régionale dans les pays du Marché commun*, La documentation Française, Paris

Clout H. (1976), *The regional problem in Western Europe*, Cambridge University Press

Cros J., 'Les déséquilibres géographiques dans la CEE face aux objectifs de l'union économique et monétaire', *Revue d'Économie Politique*, Mars- Avril 1974, no.2, Éditions Sirey, Paris

Cros J. (1977), *Introduction à l'économie Européenne*, Paris, Séries Études et Perspectives Européennes, chapitre III

Denison E.F. (1967), *Why Growth rates differ* The Brookings Institution, Washington D.C

Denton G.R. and J.J.N Cooper (eds.) (1977), *The European economy beyond the crisis: from stabilisation to structural change*, College of Europe, Bruges, De Tempel

Denton G. 'Regional divergence and policy in the Community with special reference to enlargement' p. 141 in Hodges M. & W. Wallace (eds.) (1981), *Economic divergence in the European Community*, London, George Allen and Unwin

Dyson K. (1994), *Elusive Union. The process of Economic and Monetary Union in Europe*, Longman, London, George S. (1990), *An awkward partner. Britain in the European Community*, Oxford, Oxford University Press

Hayward J. 'The prospects for British regional policy in the EEC context', *Journal of Common Market Studies*, June 1973

Jegouzo Y. (1970), *L'élaboration de la politique de développement régional dans l'Europe Communautaire*, Paris, Librairie Général de Droit et de Jurisprudence.

Kruse D. C. (1980), *Monetary Integration in Western Europe: EMU, EMS and Beyond*, London, Butterworths

Lind H. & C. Flockton (1970), *Regional Policy in Britain and the Six. The problem of development areas*, London, Political and economic planning European series no. 15, Chatham House.

- MacLennan M. C., 'Regional Policy in a European Framework' in MacLennan D.C. & J. B. Parr (eds.) (1979), *Regional Policy. Past Experience and New Directions*, Glasgow Social and Economic Research Studies 6, Oxford, Martin Robertson
- Marjolin R. (1986), *Le travail d'une vie. Mémoires 1911-1986*. Éditions Robert Laffont, Paris
- Fayard Constantinides-Mégret C., 'La Politique régionale Communautaire' in Mégret J. (1975) *Le Droit de la Communauté Économique Européenne*, Vol. 6. Politique économique, p. 289-346.
- Moravcsik A. (1991), 'Negotiating the Single European Act' National Interests and Conventional Statecraft in the European Community', *International Organisation*, 1991, 45, 1 p. 651-188.
- Moravcsik A. (1994), 'Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach', in Bulmer S. & A. Scott (eds.) *Economic and Political Integration in Europe. Internal Dynamics and Global Context*, Oxford, Blackwell, pp. 29-85.
- Moravcsik A. (1995), 'Liberal Intergovernmentalism and Integration: A rejoinder', *Journal of Common Market Studies*, vol.33, No. 4, December, p. 611-628.
- Moussis N. (1994), *Access to European Union*, Brussels, Edit Eur
- Moussis N. (1982), *Les politiques de la Communauté économique Européenne*, Études politiques économiques et sociales, Dalloz, Paris
- Pisani E. 'The agricultural problems involved in British membership of the Common Market' p. 7-42. in *Problems of British entry into the EEC. Report to the Action Committee for the United States of Europe* (1969), European Series No. 11, London, Chatham House
- La Politique régionale du Marché Commun* (1971) Centre d'Études Européennes, Université Catholique de Louvain, Vander, Louvain
- Les répartitions de compétences entre la Communauté et les États Membres* in *La Communauté et ses États Membres, Actes du VIème Colloque de l'Institut d'Études Juridiques Européens, Liège 1973*
- Romus P., 'L'harmonisation des politiques régionales dans le cadre Européen', *L'Europe des régions* (1970), Colloque de Genève, Association des Instituts d'études Européennes, Genève.
- Romus P. (1974), *Économie régionale Européenne*, Presses Universitaires de Bruxelles
- Romus P. (1975), 'La création du Fonds Européen de développement régional: début de la politique régionale européenne?' *Revue du Marché Commun*, no. 184, p. 149-152, Avril 1975, Paris.
- Romus P. (1979), *L'Europe et les régions*, Éditions Labor, Bruxelles
- Romus P. 'La politique régionale des Communautés Européennes' in Sidjanski D. & Ricq Ch. (1985) *Les politiques régionales en Europe*, Actes du Colloque de Genève, Mai 1988, Association des Instituts d'Études Européennes
- Romus P. (1990), *L'Europe régional*, Collection Europe, Éditions Labor, Bruxelles

Spaak P.H. (1969), *Combats inachevés*, Bruxelles.

Stabenow W., 'Regional policy in the EEC', in Morgan S. (ed.) (1974) *Regional policy and Planning for Europe*, Saxon House, p. 71-97.

Strasser D., (1977), *The finances of Europe*, New York, Praeger Publishers

Prize R. (1973) *The politics of the European Community*, Rowman and Littlefield pp 25, 151-2.

Talbot R. B. 'The European Community's Regional Fund. A study in the politics of redistribution' in *Progress in Planning*, 1977, Vol. 8, Part 3, pp. 183-281, Pergamon Press

Tsoukalis L. (1977), *The Politics and Economics of European Monetary Integration*, London, George Allen & Unwin

Tsoukalis L. (1991), *The New European Economy. The Politics and Economics of Integration*, Oxford, Oxford University Press

VVAA (1983), *Thirty years of Community law*, Commission of the EEC, The European Perspectives Series. Luxembourg

Van Ginderachter J., 'La politique régionale de la Communauté, justifications, modalités et propositions', *Revue du Marché Commun*, Paris n. 170, Décembre 1973, p. 468-486

Vanhove N. and L. H. Klaassen (1980), *Regional Policy: A European Approach*, Saxon House, London

von der Groeben H. (1985), *The European Community. Formative years*, Brussels, European Perspectives Series, Office for Official Publications of the European Communities

Wallace W. (ed.), (1980) *Britain in Europe*, London, Heinemann.

H. Wallace 'The establishment of the regional development Fund: Common Policy or Pork Barrel?' in Wallace W., H. Wallace and C. Webb (eds.) (1977) *Policy making in the European Communities*, London, John Wiley & Sons

Warley T. K. (1967), *Agriculture: The cost of joining the common market*, London, Chatham House

Yuill D., Allen K. & C. Hull (eds.) (1980), *Regional Policy in the European Community*, Centre for the Study of Public Policy, Croom Helm, London

Yuill D. & K. Allen (eds.) (1983), *European Regional Incentives*, Centre for the Study of Public Policy, University of Strathclyde, Glasgow

Newspapers

Europe (new series)

'Aims of EEC Medium term Planning Committee', The Financial Times, 13 April 1965

The EEC and the Nordic countries. Speech for the Conference on 'The Nordic countries, Britain and the enlargement of the EEC' organised by the Financial Times, Oslo 25-26 May 1971, by J Linthorst Homan

Aitken Ian, 'Rich get richer and poor get poorer, says Labour MP', The Guardian, 8 July 1971

APPENDICES

ORIGINAL FRENCH TEXTS:

CHAPTER I:

Original French text for footnote 19:

Il y a lieu de s'attendre à ce que, toutes choses égales par ailleurs mais l'hypothèse d'un suppression des mesures de protection récemment adoptées, le cumul des divergences annuels entre les niveaux des prix des pays membres, de 1966 à 1975, provoque des déséquilibres extérieurs. Bien que l'évolution générale des prix ne détermine pas, à elle seule, le commerce extérieur, les différences apparaissant d'ici 1975 (en particulier entre l'Allemagne et l'Italie d'une part, la France et les pays du Bénélux de l'autre) seraient trop importantes pour que ces évolutions puissent encore se concilier sans entraîner de perturbations dans l'équilibre intra-communautaire. Il faut par ailleurs escompter que les déséquilibres que l'on peut attendre en matière de commerce extérieur soient renforcés par de brusques mouvements spéculatifs.

French original for footnote 27:

Si l'écart des fluctuations dans les différents pays en cause restait au-dessous d'un niveau de 2 ou de maximum de 2,5%, ils serait vraisemblablement possible d'éviter l'introduction de ces mesures compensatoires et pourtant de fractionner le marché agricole sans perturbations sensibles des marchés agricoles.

French text for footnote 30:

L'évolution du niveau général des prix (Indice implicite de prix du produit national brut au prix de marché tel qu'il est défini dans le cadre de la compatibilité nationale. Le critère conventionnel d'évaluation des prix, l'indice du coût de la vie, ne s'applique qu'à une partie du produit national) constitue ainsi un indicateur du degré de compatibilité des objectifs et préférences internes et externes des différents pays et compte tenu de leur situation de départ et du contexte social, institutionnel et structurel. L'ordre de priorité donné à l'objectif de la stabilité des prix dépend de la mesure dans laquelle les autres objectifs globaux (croissance satisfaisante, plein emploi, équilibre extérieur, etc.) pourront être atteints. La stabilité du niveau des prix est extrêmement difficile à réaliser car il suppose la solution des problèmes de répartition et de structure ainsi que l'application d'une politique de concurrence efficace. Cette difficulté conduit souvent à sous-estimer l'importance économique et la justification de la stabilité des prix.

The French original for the text of footnote 33:

Si l'harmonisation effective des orientations à moyen terme s'avérait impossible au cours des prochaines années, le développement de la Communauté risquerait d'être compromis, soit par l'adoption de mesures protectionnistes, qui mineraient le marché commun et aboutiraient en définitive à un ralentissement de la croissance de l'ensemble de la Communauté, soit par des politiques rigoureuses d'adaptation à l'évolution des pays partenaires, dont les conséquences économiques et sociales seraient pénibles, soit par des modifications de parité monétaire, qui sont en principe contraires à la logique du marché commun et à la perspective de l'union économiques

et monétaire, soit enfin par le recours à de nouveaux types de relations de change, qui compromettraient la poursuite de l'intégration monétaire.

La harmonisation des orientations à moyen terme, de même que la coordination des politiques économiques à court terme, est la conséquence inéluctable du choix fait par les pays membres de la Communauté en faveur de la mise en place d'une union douanière englobant leurs économies. Refuser cette harmonisation revient en fait à remettre tôt ou tard en question ce choix.

CHAPTER II:

French text for footnote 4:

l'écart peut au contraire s'accroître cumulativement si les conditions fondamentales d'un développement de la production ne sont pas d'abord créées par des moyens publics, c'est-à-dire une infrastructures de routes, de ports, de moyens de transmission, des opérations de drainage, d'irrigation et d'amélioration du sol, la création d'écoles et d'hôpitaux. Une action positive et collective est au contraire à l'avantage commun des régions dont le développement est recherché et des régions plus favorisées elles mêmes; (...)

French text for footnote 5:

Il importe ici de rappeler que certains plans de développement régionaux sont en cours et que d'autres pourraient être entrepris dans l'avenir. Le problème de la coordination entre le développement de ces plans régionaux et celui, progressif, du marché commun devra être réglé afin que les différents efforts ne se contrarient pas et qu'au contraire les plans régionaux puissent se développer favorablement dans un cadre de coopération et d'unité économiques européennes. Des propositions à ce sujet pourraient être présentées par les États membres intéressés et par la Commission européenne.

French text for footnote 15:

La troisième condition qu'il importe de reconnaître, c'est qu'entre des régions inégalement développées il n'est pas vrai qu'une mise en communication subite permette d'elle-même aux moins favorisées de rattraper leur retard. C'est seulement si elles sont dotées, par une politique délibérée, de l'infrastructure nécessaire à leur développement, qu'elles bénéficieront à plein des différences de coût de main-d'œuvre, ou d'une plus grande productivité des investissements. De là l'importance des actions de développement régional et de création d'emploi sur place, qui seules éviteront d'accroître cumulativement l'écart entre les niveaux de production et entre les niveaux de vie des différentes régions.

French text for footnote 19:

La Commission, en vertu de l'article 155, a donc le devoir de se préoccuper des effets des politiques économiques nationales et communes sur le développement de l'activité économique dans les différentes régions, et de prendre les initiatives nécessaires pour que l'action concertée des autorités régionales et nationales d'une part, des institutions européennes de l'autre, assure un développement harmonieux des régions de la Communauté.

French text for footnote 25:

Quelques points m'ont particulièrement frappé. Le premier (...). Le second est la tendance pour la politique régionale à devenir partout une partie intégrante de la politique économique nationale, alors que jusqu'au présent la politique régionale était plutôt une espèce de correctif que l'on apportait aux politiques économiques nationales une fois que celles-ci avaient produit leurs effets centralisateurs. Les régions périphériques se dépeuplant, les grandes agglomérations centrales se gonflant toujours davantage, les gouvernements étaient amenés à réagir: une politique régionale était élaborée, distincte, différente, isolée de la politique économique nationale.

French text for footnote 47:

La Commission suggère, tout d'abord, que lorsque le Comité prévoit une confrontation des politiques régionales et, si possible une coordination, l'on emploie sans équivoque le terme de coordination. Elle s'appuie, à cet effet, sur plusieurs dispositions du traité, en particulier les articles 3 (littéra g), 105, 145, aux termes desquels les États membres se sont engagés à coordonner leurs politiques économiques et, par conséquent, leurs politiques régionales, si l'on admet -comme la chose paraît en effet normale- que la politique régionale est une politique économique.

Original French text for footnote 96:

La Commission a exprimé le vœu, le 14 février 1962, que la DGII et la DGIV procèdent à un étude sur les limites existant entre la politique de concurrence et la politique régionale. On a fait observer qu'il pourrait être difficile, dans l'état actuel des choses de définir des limites précises entre la politique de développement régionale, qui demeure d'ailleurs surtout de la compétence des États membres, et les règles de concurrence du Traité. Il serait sans doute prématuré de lier la Commission par une définition trop rigide des critères énumérés à l'article 92, alinéa 3. Étant donné la diversité des situations régionales, une attitude souple et pragmatique semble, pour le moment, préférable, et ce n'est qu'à un stade plus avancé de la coordination des politiques régionales des États membres qu'une définition plus précise des apports entre politique régionale et politique de concurrence pourrait être opérée.

(...)

La Commission attache surtout une grande importance aux objectifs de politique régionale. Ici apparaît la liaison étroite entre la politique de concurrence et la politique régionale et de structure. L'expérience montre que l'une et l'autre se complètent judicieusement pour autant que la politique régionale ou de structure tient compte des nécessités de la politique de concurrence. Un aménagement judicieux de la politique régionale d'aide ne sera possible dans de nombreux cas que sur la base de plans régionaux de développement englobant dans une vue d'ensemble toutes les mesures d'encouragement en faveur d'une région.

French text for footnote 121:

Propositions concrètes:

- a) Proposer la poursuite, à intervalles réguliers, de réunion à haut niveau, dont celle du 25 Septembre 1962 constituerait le prototype. Ces réunions pourraient constituer l'amorce d'une Commission régionale de la CEE.

French text for footnote 126:

Le nouveau Commissaire à la politique régionale, Luxembourgeoise (M. Borschette) est un peu enclin à forcer les Gouvernements sur la base de la proposition de la Direction générale dont ils sont saisis.

D'autre part, M. Mansholt sait très bien qu'il a besoin d'un volet régionale pour faire avancer ses propositions. Il offre donc à son collègue d'utiliser 500.000.000 d'u.c. du FEOGA pour des actions régionales dans les régions agricoles pour 5 ans.

D'où les propositions de la Commission du 28 Mai 1971 abusivement présentées comme mesures concrètes d'application des propositions générales de 1969 mais constituant en fait, une réfutable et dommageable déviation (...)

French text for footnote 129:

Il importe de noter qu'il y a une différence fondamentale dans la façon de considérer ces actes législatifs selon que l'on se place au point de vue de la commission économique ou à celui de la commission de l'agriculture. Du point de vue agricole, les propositions apparaissent comme parachevant la réforme de l'agriculture européenne. Du point de vue économique elles ne constituent qu'un premier pas très timide dans le sens de la réalisation d'une politique commune des structures. La commission économique ... recommande-t-elle au Parlement d'approuver les deux propositions de règlement, en raison de leur importance sur le plan de l'agriculture, tout en faisant observer qu'elle n'est pas absolument convaincue que ces règlements doivent avoir des effets favorables sur le plan des structures.

CHAPTER III:

French text for footnote 27:

L'activité des États membres dans le domaine de la politique régionale est très diverse. Ils se sont occupés de programmes, de plans généraux de développement et d'objectifs, mais aussi de plans de développement très réalisables qui ont déjà été exécutés en partie.

Pour la Commission, il importe donc,

- a) d'amener les États membres, lorsque c'est nécessaire, à établir, compléter et mettre en œuvre des plans de développement régionaux,
- b) de coordonner les mesures des États membres et de les orienter sur la politique communautaire
- c) de ne pas donner la impression que nous voulons accaparer la politique régional et la centraliser sur le plan administratif ou que nous continuerions de nous contenter de discussions théoriques.

Il s'agit de laisser aux États membres toute leur responsabilité, mais de veiller à ce qu'ils assurent cette tâche et l'orientent sur la réalisation de la union économique.

French text for footnote 74:

Compte tenu de l'action entreprise, un des facteurs qui faciliterait le mieux les interventions de la Banque serait évidemment la possibilité pour la Communauté de définir un programme d'actions concrètes et parfaitement coordonnées. Une telle éventualité serait de nature à faciliter l'adoption de critères objectifs et d'application opérationnelle. En outre, il permettrait probablement l'éclosion d'initiatives que ... tant en ce qui concerne les ressources que les modalités, la Banque pourrait être amenée à financer en conformité aux orientations communautaires. C'est dans un telle perspective que pourrait prendre place, par exemple, un système de bonifications d'intérêt forfaitaires ou l'étude d'un système efficace d'octroi de garanties.

French text for footnote 54:

quelle que puisse être l'importance du Fonds, vu les sommes globales à mettre en œuvre pour l'action régionale, ses interventions sont marginales et, en tout hypothèse, dépendantes du succès de la coordination organisée au niveau de la Communauté.

CHAPTER IV:

French text for footnote 1:

Une coordination à moyen terme même poussée des objectifs globaux de politique économique (croissance, emploi, prix, balance de paiements) risque dans certains cas de s'avérer insuffisante. L'expérience montre en effet que des orientations globales compatibles en elles-mêmes peuvent cacher, pendant un certain temps, certains déséquilibres structurels. Ceux-ci pourraient contrecarrer, à plus longue échéance, la mise en œuvre de la concertation des objectifs globaux. Le Comité se félicite donc que la Commission ait souligné la nécessité de rechercher, sur le plan communautaire et selon les orientations générales de programmes à moyen terme, des solutions aux problèmes structurels nationaux.

Le Comité estime que la forme la plus appropriée pour aboutir à ce résultat consisterait en une consultation mutuelle et permanente portant sur les décisions de caractère structurel dans le cadre de stratégies de développement suivies à long terme. A cet effet, il envisage de procéder conformément à la mission que lui a été confiée par la décision du Conseil du 15 avril 1964, à des échanges de vues réguliers aux fins d'une concertation en la matière. [10 juin 1969, OR II-133/69].

French text for footnote 4:

La réduction des disparités existantes et la prévention de nouvelles disparités dépendent surtout de l'orientation même des politiques économiques d'ensemble; d'ailleurs celles-ci dans tous les pays tendent de plus en plus à intégrer dans leurs finalités l'aménagement de l'espace économique et humain.

French text for footnote 17:

Il s'agit ici de choisir des orientations relatives à certaines types d'actions structurelles dont l'importance paraît majeure pour favoriser un développement économique et social équilibrée dans la Communauté; ces actions devront être engagées ou moins préparées rapidement. Elles visent les objectifs suivants: a) l'unité du marché intérieur: la libre circulation, l'adaptation des entreprises; b) la promotion d'activités nouvelles en s'attachant à: l'aspect régional des activités communautaires, l'adaptation des hommes aux exigences des emplois nouveaux, c) une meilleure utilisation des instruments financiers de la Communauté.

French text for footnote 18:

le développement équilibré de la Communauté exige que, à la responsabilité des États membres, s'ajoute une responsabilité de la Communauté à l'égard de certaines problèmes régionaux d'intérêt commun.

French text for footnote 67:

M. Barre a précisé qu'au terme de l'accord de La Haye, l'instauration de l'union économique et monétaire est une des grandes options politiques de la Communauté qui doivent être acceptées par tous les candidats à l'adhésion.

French text for footnote 100:

Ce point a été l'objet d'un long débat, étant donné que la délégation italienne avait conditionné son accord sur l'ensemble des problèmes monétaires à un engagement précis de la part du Conseil dans le domaine régional, notamment par l'utilisation du FEOGA pour des opérations en matière régionale et par la création d'un fonds de développement régional comme proposé par la Commission.

Devant l'opposition de certaines délégations au sujet du fonds régional la délégation italienne, tout en acceptant de renvoyer à une deuxième stade la fixation des modalités, de la structure, des quantités et des temps pour le fonctionnement de ce fonds, a insisté pour que le Conseil adopte le principe de sa création combinée avec un calendrier précis pour les décisions à prendre pour sa mise en oeuvre. Cette délégation a également mis l'accent sur la signification politique d'une décision du Conseil dans ce sens qui intéresse aussi bien les États membres que les pays adhérents.

La position italienne a été appuyée par la délégation belge qui a manifesté seulement la préoccupation d'éviter le double emploi entre les différentes formes d'aides communautaires et nationales.

Après une suspension de séance pendant laquelle les Ministres Colombo, Giscard d'Estaing et Schiller ont eu un échange de vues, la délégation française a assoupli sa position et a présenté un compromis qui a été accepté par la Commission et par les autres délégations et, après quelques hésitations, également par la délégation italienne. Ce compromis prévoit entre autre que le Conseil prendra les décisions nécessaires avant le 1er Octobre 1972 ou bien sur la création du fonds régional proposé par la Commission, ou bien tout autre système de ressources communautaires à consacrer au domaine régional.

Une déclaration de la délégation française qui sera inscrite au procès-verbal du Conseil définit les 'ressources communautaires appropriées' qui couvrent également les ressources actuellement inemployées, comme par exemple les réserves de la BEI.

La Commission a confirmé la validité des propositions en matière régionale et a demandé qu'une décision du Conseil à cet égard soit prise, tout en s'engageant à lui soumettre des propositions complémentaires.

A cet égard, M Borschette a déclaré que la proposition de la Commission concernant la création d'un fonds de politique régional reste en discussion au Conseil, et qu'il en sera décidé en même temps que sur les autres propositions que la Commission sera amenée à faire, en demandant que cela figure au procès-verbal comme déclaration de la Commission.

M. Borschette a demandé en outre qu'au procès-verbal figure également la déclaration de M Giscard D'Estaing, selon laquelle 'à des actions nouvelles doivent s'accompagner des nouveaux moyens'.

French text for footnote 102:

Afin d'engager, sans attendre, les actions dans le domaine régional et structurel nécessaires à la réalisation à terme de l'union économique et monétaire, le Conseil marque son accord de principe:

- 1) pour que le FEOGA puisse être utilisé dès 1972 pour des actions de développement régional;
- 2) pour que ou bien soit créé un Fonds de développement régional, ou bien soit mis en œuvre tout autre système de ressources communautaires appropriées à consacrer au développement régional.

Il invite la Commission à le saisir de propositions conformément au point III. 4 de la résolution du 22 Mars 1971. Il prendra les décisions nécessaires sur les propositions de la Commission avant le 1er octobre 1972.

French text for footnote 107:

La délégation française a estimé que le terme 'ressources communautaires appropriées' qui est repris de la résolution sur l'union économique et monétaire, peut être employé dans le texte en discussion. En effet, il couvre aussi les ressources actuellement inemployées (comme par exemple les réserves de la BEI) qui pourraient être affectées au financement d'actions nouvelles. Il est difficile de déterminer si de telles ressources doivent être considérées comme existantes et additionnelles.

French text for footnote 108 :

La Commission doit constater qu'en ce qui concerne les ressources communautaires existantes, visées par la résolution du 21 mars 1972, la Communauté ne dispose pas de ressources actuellement inemployées. En effet:

la Communauté ne dispose pas de réserves budgétaires

les instruments financiers existants, tout en pouvant être orientés aussi sur la base des objectifs coordonnés de la politique régionale, poursuivent des objectifs spécifiques; il en va différemment de la Banque Européenne d'investissement dont la mission est plus général,

la banque Européenne d'investissement ne dispose que de réserves statutaires et de provisions destinées à couvrir ses risques financiers et dont les montants sont actuellement employés.

French text for footnote 117:

Le Chancelier de l'échiquier a fait comprendre à M. Werner, lors de sa récente visite à Londres, que le Gouvernement britannique souhaiterait être associé aux travaux de cette session "d'une manière moins discrète", pour des raisons d'opinion publique.

French text for footnote 118:

La délégation britannique a déclaré que son gouvernement attache la plus grande importance au développement d'une politique régionale commune et tient à y contribuer de façon essentielle, tant à cause des liens étroits entre les politiques monétaire et régionale que du fait que le Royaume-Uni connaît des problèmes régionaux importants. Au Royaume-Uni, ceux-ci se posent essentiellement dans les vieilles régions industrielles, tandis que dans la Communauté ils concernent principalement les zones agricoles. Par conséquent, le Royaume-Uni estime que les mesures régionales adoptées par la Communauté devraient être conçues de façon à contribuer, dans une égale mesure, à régler le problème de la réduction d'emploi dans les vieilles régions industrielles et dans l'agriculture.

French text for footnote 119:

Les délégations norvégienne et irlandaise ont particulièrement souligné l'intérêt qu'elles portent à la politique régionale et ont donné leur adhésion aux efforts pour la mise en place progressive de moyens concrets qui peuvent être associés aux efforts nationaux en ce domaine.

**B. Proposal for a Council decision
on the organization of Community instruments
for regional development**

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal of the Commission;

Having regard to the Opinion of the European Parliament;

Whereas, according to Article 2 of the Treaty, the Community has the task of promoting throughout the Community area a harmonious development of economic activities; whereas there are considerable imbalances between regions within the Member States and at Community level;

Whereas the measures referred to in Article 3 of the Treaty—the establishment of common policies, in particular an agricultural policy and certain aspects of transport policy, the establishment of a system ensuring that competition in the common market shall not be distorted, the co-ordination of economic policies—together with the implementation of a Community energy policy and an industrial policy, are indispensable if the gap between the different regions and the ground lost by the less-favoured regions are to be reduced; whereas, on the other hand, the co-ordination of regional policies will facilitate the implementation of these common policies;

Whereas the Treaties contain a body of provisions, particularly regarding action by the public authorities, aimed at helping to solve certain regional development problems;

Whereas, without prejudice to the obligations and powers resulting for the Member States and the Community by virtue of the said provisions of the Treaty, steps must nevertheless be taken to ensure that the measures contemplated by the Member States, which are responsible for drawing up and implementing regional development plans, converge along lines that will help towards attainment of the Community's objectives and that the choices to be made and priorities to be established are organized in a manner consistent with the requirements involved in establishing the common market and gradually approximating economic policies; whereas for this purpose a procedure must

be arranged which will enable the Commission to gather all the information it must have in order to formulate any recommendations or opinions it deems necessary;

Whereas for this purpose it is indispensable that each Member State should examine, together with the Commission, the situation of the regions for which, because of the requirements and implications involved in establishing the common market and gradually approximating the Member States' economic policies, development plans should be drawn up, or amplified, and implemented as a matter of urgency; whereas the Commission and the Member State concerned must reach agreement on the order of priority in which the content of such plans shall be discussed;

Whereas discussion of the content of a plan between the Commission and the Member State concerned may involve the participation of other Member States; whereas for this purpose a Community framework must be set up in the form of a Standing Regional Development Committee comprising representatives of the Member States and of the Commission and constituting a body for joint consultation;

Whereas regional policy forecasts and general programmes prepared by the Member States, and more generally regional problems arising because of the common market and problems linked with the implementation of regional policies, in particular in relation to budget policies, must be examined at Community level in order to facilitate the finding of converging solutions; whereas the Standing Regional Development Committee is the appropriate body for doing so and for formulating any opinions on the subject;

Whereas, when the Commission, after discussion in the Standing Regional Development Committee, finds that the regional development plans submitted correspond to the operational requirements of the common market and to the needs of gradual approximation of economic policies, the Community's instruments must be capable of facilitating the implementation of those plans; whereas for this purpose interest rate rebates and guarantees granted by the Community for loans to help finance the plans constitute an appropriate form of aid; and whereas it is therefore necessary to set up a rebate fund and a guarantee system for regional development;

Whereas it is also desirable that, in the framework of the existing institutional rules, co-ordinated use should be made of the other instruments at the disposal of the Community by virtue of the provisions relating to the European Investment Bank, the European Social Fund and the European Agricultural Guidance and Guarantee Fund and also the provisions of Article 56 of the Treaty estab-

lishing the European Coal and Steel Community which are such as to help promote those development plans;

Whereas better acquaintance on the part of investors with the various data they need is likely to increase the efficacy of investments contributing to regional development; whereas for this purpose co-ordination of information and, where necessary, the provision of fuller information should be promoted;

Whereas the instruments described above are needed for the achievement of one of the Community's aims; and whereas the Treaty has made no provision for the powers to act which are required for this purpose,

HAS DECIDED:

Article 1

1. The Commission shall carry out a regular examination with each Member State of the situation of the regions for which, because of the requirements and implications involved in establishing the common market and gradually approximating the Member States' economic policies, development plans should be drawn up, or amplified, and implemented as a matter of urgency.

Such urgency shall be presumed to exist for the following regions:

- (a) regions lagging behind in development, mainly because of the predominance of agricultural activities;
- (b) regions which are declining because of the trend of the predominant economic activities;
- (c) frontier regions, where the need for co-ordination between Member States is felt particularly strongly;
- (d) regions where there is structural unemployment.

2. Such examinations shall be carried out:

- (a) annually on the Commission's invitation—the first examination to be undertaken within three months of the entry into force of this decision;

(b) wherever a situation arises which, in the opinion of one or more Member States or of the Commission, calls for such an examination.

3. Where these examinations lead the Member State concerned and the Commission to conclude jointly that development plans for one or more regions should be drawn up, or amplified, and implemented as a matter of urgency, the Commission and the Member State concerned shall establish by agreement an order of priority for discussing these plans in accordance with the conditions set out in Article 4.

Article 2

If the examinations provided for in Article 1 fail to produce joint conclusions, the Commission shall retain the right to recommend at any time that the Member States draw up or amplify, according to the case, and submit for discussion under the conditions set out in Article 4 development plans to be implemented in certain regions.

Article 3

The regional development plans submitted for discussion must, at the very least, contain sufficiently precise information on:

- (a) the current situation and future trends (population, employment, regional product, structure by sector, infrastructure);
- (b) any action contemplated, together with a timetable and information on what authorities are responsible;
- (c) public financing and the outlook for private investment.

Article 4

1. The different aspects of the regional development plan shall be examined by the Commission with the Member State concerned, with due regard for the requirements and implications of the establishment and operation of the common market and the gradual approximation of the Member States' economic policies.

2. If the Commission or the Member State concerned so requests, the regional development plan shall be discussed in the Standing Regional Development Committee referred to in Article 8 of this decision. The Commission provided for in Article 6 of this decision may not be granted without discussion in the Standing Regional Development Committee.

Article 5

Without prejudice to the powers vested in it by the Treaties or by provisions adopted in pursuance of the Treaties, the Commission shall, in the light of discussions it has had with the Member States or which have been held in the Standing Regional Development Committee, direct to the Member States concerned, within a period of time to be agreed upon, any Opinions or Recommendations regarding regional development plans the main purpose of which is that account should be taken, from the economic and social angles, of:

- (a) the need for better co-ordination of measures adopted by the Member States, especially in frontier areas;
- (b) Community needs where improvements are made to infrastructure, particular communications, oil or gas pipelines, ports, airports, and where natural sites and resources are developed;
- (c) the implications of policy on agricultural structure;
- (d) the demands of industrial policy in the common market and the need to avoid uneconomic production;
- (e) vocational training and guidance needs.

The Commission's Opinion may take the form of approval pure and simple or of the regional development plan submitted.

Article 6

Besides through co-ordinated use of the instruments at the disposal of the Community by virtue of the Treaties, the financing of measures provided for by a regional development plan which has been submitted for discussion to the Standing Regional Development Committee in accordance with Article 5 has been approved by the Commission or is in conformity with the recommendations of the Commission.

dations referred to in Article 5 may be covered by Community aid in the form of interest rate rebates or guarantees for loans made by the European Investment Bank or other financial institutions.

Article 7

1. A Regional Development Rebate Fund shall be set up. It shall be managed by the Commission and replenished by budget contributions.

The interest rate rebates shall be allocated by the Commission according to the terms and procedures it shall establish in conformity with the rules on the operation of the Fund and the principles regarding allocation to be laid down by the Council on a proposal from the Commission.

2. A guarantee system for regional development shall be set up. It shall be managed by the Commission and backed by the Member States according to a scale of contributions to be decided upon by the Council on a proposal from the Commission.

The guarantees shall be allocated by the Commission according to the terms and procedures that it shall establish in conformity with the rules on the operation of the system and the principles regarding allocation to be laid down by the Council on a proposal from the Commission.

The ceiling for such guarantees shall be fixed annually by the Council on a proposal from the Commission.

Article 8

1. A Standing Regional Development Committee shall be set up under the Commission for the purposes set out in Articles 4 and 5 of this decision.

The Committee shall be composed of representatives of the Member States. The chairman of the Committee shall be a member of the Commission or his representative. The European Investment Bank shall appoint an observer. The secretariat for the Committee shall be provided by the Commission. Minutes shall be kept of the Committees' meetings and they shall be transmitted to the Member States. The Committee shall draw up its rules of procedure with the approval of the Commission.

2. In order to facilitate the seeking of converging regional policy solutions which contribute to the accomplishment by the Community of the task set out in Article 2 of the Treaty, the Standing Regional Development Committee shall examine the regional policy forecasts and general programmes prepared by the Member States, and more generally the regional problems arising because of the common market. The Committee may formulate opinions on the subject.

Article 9

In order to assess the financial backing for regional development action in the Community, the Commission shall examine regularly with the Member States the extent of the funds they contemplate allocating to regional policy action over a period of years.

Article 10

1. With a view to keeping private and public investors who might make a contribution to the implementation of regional development plans better informed, the Commission shall organize Community-level co-operating institutions and other bodies pursuing this aim in the Member States.

The Commission shall place at their disposal, subject to Article 214 of the Treaty, the requisite information on such regional development schemes, programmes, plans and measures in the Community as have come to its knowledge. 2. The Commission may promote the establishment or development of such institutions and other bodies where the existing information network is insufficient to cover more particularly those regions referred to in Article 1 of this decision.

Article 11

This decision is addressed to the Member States.

COMMISSION

Proposal for a Council Regulation establishing a Regional Development Fund

(Submitted by the Commission to the Council on 31 July 1973)

THE COUNCIL OF THE EUROPEAN
COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas, by virtue of Article 2 of the Treaty, the Community has been assigned the task of promoting throughout the Community a harmonious development of economic activities;

Whereas the Conference of Heads of State or of Government in October 1972, desirous of finding a Community solution to regional problems, invited the Community Institutions to create before 31 December 1973 a Regional Development Fund whose intervention, in coordination with national aids, should permit, progressively with the realization of Economic and Monetary Union, the correction of the main regional imbalances in the Community and particularly those resulting from the preponderance of agriculture and from industrial change and structural underemployment;

Whereas, since the Treaty has not provided the necessary powers for this purpose, it is necessary to give the Community such powers by applying Article 235 of the Treaty;

Whereas the realization of these objectives within the framework of coordinated economic policies and fixed

exchange parities can be achieved only if resources inscribed in the Budget of the European Communities are devoted to regional development to supplement the resources which the Member States can devote;

Whereas regional development requires on the one hand investment in industrial and service activities, so as to ensure the creation or maintenance of employment, and on the other hand infrastructure required for the development of these activities;

Whereas the principle should be adopted that the Fund's assistance should be allocated on the basis of the relative severity of regional imbalances, and account should also be taken of other factors determining the interest of investments from the region's and the Community's point of view;

Whereas the management of the Fund should be the responsibility of the Commission assisted by a Fund Committee;

Whereas the Fund's assistance will be effective only if investments benefiting from the Community's aid are included in the regional development programmes, or, failing such programmes, meet specific regional development objectives;

Whereas the Fund's assistance should not lead Member States to reduce their own total regional development efforts but should be complementary;

Whereas the extent of the Community's activities requires specific information to be provided to the Council and to the European Parliament in the form of an annual report,

HAS ADOPTED THIS REGULATION:

Article 1

A European Regional Development Fund is hereby established.

Article 2

1. Financial appropriations shall be provided each year in the budget of the Communities for the Fund's operations in that year.

2. A Financial Regulation adopted in pursuance of Article 209 of the Treaty shall determine the means whereby expenditure from the Fund shall be authorized.

Article 3

1. On a proposal from the Commission and after consulting the European Parliament, and without prejudice to the application of Articles 92 to 94 of the Treaty, the Council shall, acting unanimously, adopt the list of the regions and areas which may benefit from the Fund, and shall, acting by a qualified majority, amend this list as need arises.

2. These regions and areas must be chosen from among those which benefit from a system of regional aids and whose gross domestic product per head is below the Community average. They shall include particularly those with regional imbalances resulting from the preponderance of agriculture and from industrial change and structural underemployment, taking in particular the following criteria into consideration:

- (a) heavy dependence on agricultural employment;
- (b) heavy dependence on employment in declining industrial activities;
- (c) a persistently high rate of unemployment or a high rate of net outward migration.

Article 4

1. The Fund may contribute to financing:

- (a) investments, in industrial or service activities, which benefit from a national system of regional aids, provided that the amount of the investment exceeds fifty thousand units of account and that it involves creating or maintaining jobs;
- (b) infrastructure investments, required for the development of industrial or service activities, and totally or partially financed by public authorities.

2. The amount of the Fund's contribution shall be:

- (a) in respect of an investment of the kind referred to in paragraph 1 (a), at most 15 % of the cost of the investment. The amount shall, however, not exceed 50 % of the aid accorded to the investment by public authorities under a national system of regional aids. The national aids to be taken into consideration in this connection shall be interest rebates, and grants determined either as a percentage of the investment or according to the number of jobs created;
- (b) in respect of an investment of the kind referred to in paragraph 1 (b), at most 30 % of the expenditure incurred by public authorities.

3. The Fund's assistance may, in respect of infrastructure, take in whole or in part the form of a rebate of three percentage points on loans made by the European Investment Bank pursuant to Article 130 (a) and (b) of the Treaty.

4. The above provisions shall not prejudice the application of Articles 92 to 94 of the Treaty.

Article 5

1. The Fund's assistance shall be decided by the Commission in accordance with the procedure laid down in Article 13, with reference to the relative severity of the economic imbalance of the region where the investment is made and its direct and indirect effect on employment, and taking account of the following considerations:

- (a) the consistency of the investment with the development programmes and objectives referred to in Article 6;
- (b) the investment's contribution to the economic development of the region;
- (c) the consistency of the investment with the Community's programmes or objectives, particularly those adopted as part of sectoral policies;
- (d) the investment's effect on the environment, particularly as regards living and working conditions;
- (e) the trans-national character of the investment, that is, the fact that it comes from another Member State;
- (f) the trans-border character of the investment, that is, concerning adjacent regions in different Member States.

2. In the examination of each request, account shall also be taken of other assistance provided by the Community institutions or by the European Investment Bank pursuant to Article 130 (a) and (b) of the Treaty.

3. In respect of infrastructure costing more than twenty million units of account, the Commission shall, before obtaining the Opinion of the Fund Committee referred to in Article 13, consult the Committee for Regional Policy.

Article 6

1. Investments may benefit from the Fund's assistance only if they form part of a regional development programme whose implementation may contribute to correcting the structural and regional imbalances which may affect the realization of Economic and Monetary Union. In the absence of such a programme and until 31 December 1975, investments eligible for the Fund's assistance must meet specific regional objectives. In the latter case, Member States must provide the Commission annually with all relevant information about the resources they are making available, and propose to make available, for the development of the regions on the list referred to in Article 3, and also with all relevant information about the development of the economic and social situation in those regions.

2. Regional development programmes or specific regional objectives shall be communicated to the Commission by the Member States. A first such communication shall be made before 1 October 1974.

3. The programmes shall indicate the objectives and the means for developing the region. To this effect, they must contain sufficiently detailed indications of:

- (a) the development of the economic and social situation of the region, particularly in respect of demography, employment, regional product, sectoral structure, infrastructure, ecology and land usage;
- (b) the measures proposed in respect of infrastructure and the creation of economic activity, together with an implementation schedule;
- (c) the intended financing;
- (d) the authorities, organizations or institutions responsible for these measures.

4. The Committee for Regional Policy must be consulted about the programmes or specific objectives for regional development. The Commission must confirm their conformity with the Community's objectives.

Article 7

Public expenditure referred to in Article 4 which has been incurred more than six months before the date of the presentation of the request, or which concerns investments completed more than twelve months before this date, shall not be eligible for assistance from the Fund.

Article 8

1. Requests for the Fund's assistance shall be sent to the Commission accompanied by the information provided for in the Financial Regulation referred to in Article 2. In respect of industrial and service investments of an amount less than ten million units of account and infrastructure of an amount less than twenty million units of account, Member States shall group their requests in quarterly statements for each of the regions referred to in Article 3.

2. The Fund's assistance shall be decided:

- (a) case by case, in respect of industrial and service investments of an amount of ten million units of account or more, and infrastructure investments of an amount of twenty million units of account or more;
- (b) in the aggregate, in respect of other requests.

Article 9

The Commission shall make payments to the Member State, an agency designated by the Member State for this purpose or the European Investment Bank, as the case may be, in accordance with the provisions of the financial regulation referred to in Article 2.

Article 10

1. The Commission shall, with the cooperation of Member States, make sure that investments benefiting from the Fund's assistance are properly implemented.

2. If an investment on which a decision about assistance has been taken is not carried out as planned, or if the public authorities recover from the investor all or part of the aid which they have themselves accorded, that assistance may be suspended, reduced or cancelled by decision of the Commission after consulting the Fund Committee. Any sums to be repaid shall be recovered by the Member State and paid over to the Commission within the six months following the decision to suspend, reduce or cancel.

Article 11

1. The Commission may use a part of the resources of the Fund, provided for this purpose in the budget of the Communities, to promote or carry out studies closely related to the operations of the Fund or to regional development in the Community.
2. When a study is undertaken at the request of the Member State the Fund's assistance may not exceed 50 % of its cost.

Article 12

1. There shall be established a Fund Committee, composed of representatives of Member States and presided over by a representative of the Commission.
2. Within the Committee the votes of Member States shall be weighted in accordance with Article 148(2) of the Treaty. The Chairman shall not vote.

Article 13

1. Where the procedure laid down in this Article is to be followed, the Chairman shall refer the matter to the Committee either on his own initiative or at the request of the representative of a Member State.
2. The representative of the Commission shall submit a draft of the decision to be taken. The Committee shall deliver its Opinion on such decisions within the time limit to be set by the Chairman according to the urgency of the questions under consideration. An Opinion shall be adopted by a majority of 41 votes.
3. The Commission shall adopt decisions which shall apply immediately. However, if these decisions are not in accordance with the Opinion of the Committee, they shall forthwith be communicated by the Commission to the Council. In that event the Commission may defer application of the decisions which it has adopted for not more than one month from the date of such communication. The Council may take a different decision within one month by qualified majority.

Article 14

The Committee may consider any other question concerning the Fund's operations referred to it by its

Chairman either on his own initiative or at the request of the representative of a Member State.

Article 15

Member States and the Commission shall make public the assistance given by the Fund and shall inform the investors concerned that part of the aid they receive comes from the Community.

Article 16

1. Before 1 July each year the Commission shall present a report to the European Parliament and to the Council on the implementation of this Regulation during the preceding year. This report shall, in particular, indicate the extent to which the allocation of the Fund's resources has taken account of the relative severity of regional imbalances, and make clear what progress has been made towards correcting those imbalances and also the regional development measures which seem to be required, by economic and social trends in the Community, in one or more of the regions on the list referred to in Article 3.
2. This report shall also cover on the one hand the financial administration of the Fund and on the other hand the conclusions drawn by the Commission from the financial inspections carried out on the Fund's operations.

Article 17

The necessary steps for the implementation of this Regulation shall be taken in accordance with the procedure laid down in Article 13.

Article 18

The Council shall re-examine this Regulation not later than three years after it enters into force.

Article 19

This Regulation shall enter into force on 1 January 1974.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Draft Decision by the Council on the creation of a Committee for Regional Policy

(Submitted by the Commission to the Council on 31 July 1973)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community and in particular Article 145 thereof;

Having regard to the draft of the Commission;

Having regard to the Opinion of the European Parliament;

Having regard to the Opinion of the Economic and Social Committee;

Whereas, at their Conference in October 1972, the Heads of State or of Government undertook to coordinate the regional policies of the Member States;

Whereas to this end coordinated objectives, means of concerted action and overall assessments of regional development in the Community should be progressively defined;

Whereas it is necessary to define the principal fields in which this coordination should be exercised;

Whereas it is necessary to establish a procedure for consultation on problems of regional policy and on the measures to be taken at Community level,

HAS ADOPTED THIS DECISION:

Article 1

With a view to contributing to the coordination of the regional policies of the Member States, a Committee for Regional Policy, attached to the Council and the Commission, is hereby set up.

Article 2

1. The Committee's task shall be to examine, at the request of the Council or of the Commission, or on its own initiative, problems relating to regional development. Without prejudice to the provisions of the Treaties, it shall study in particular:

- (a) the aims, means, methods and experiences of the Member States in the field of regional policy, taking account of the Community's other policies;
- (b) on a continuous basis, economic and social trends in the various regions of the Community;
- (c) the development programmes or specific development objectives presented by Member States, particularly in respect of the regions referred to in Article 3 of Council Regulation (EEC) No ... creating a European Regional Development Fund;
- (d) the financial resources which Member States and the Community propose to provide for regional development over a period of years;

(e) the impact of Community financial instruments in regional terms;

(f) the coordinated implementation of Community measures, together with measures by Member States, with a view to facilitating the implementation of programmes or the achievement of specific objectives;

(g) systems of aid which are regional in their purpose or incidence;

(h) disincentive measures in regions of heavy concentration;

(i) the promotion of better information services for both public and private investors in the field of regional development.

2. The Committee shall report to the Council and to the Commission on the results of its work.

Article 3

1. The Member States and the Commission shall each appoint two members to the Committee. They may appoint alternates. The members of the Committee, and the alternates, appointed by the Member States shall be selected from among senior officials responsible for regional policy.

2. Except where the Commission shall decide otherwise, the members may be accompanied by experts.

3. The European Investment Bank shall appoint an observer to the Committee.

Article 4

1. The Committee shall by majority vote appoint its Chairman and Vice-Chairman from among its members for a period of two years. Their period of office may be renewed.

2. The Committee may entrust the study of particular questions to working parties composed of certain of its members or alternates or experts.

3. The Committee's secretariat shall be provided by the Commission.

4. The Committee shall draw up its own rules of procedure.

Article 5

The Committee may, in accordance with the provisions of its rules of procedure, take evidence from interested parties from the regions and from trade union and business organizations.